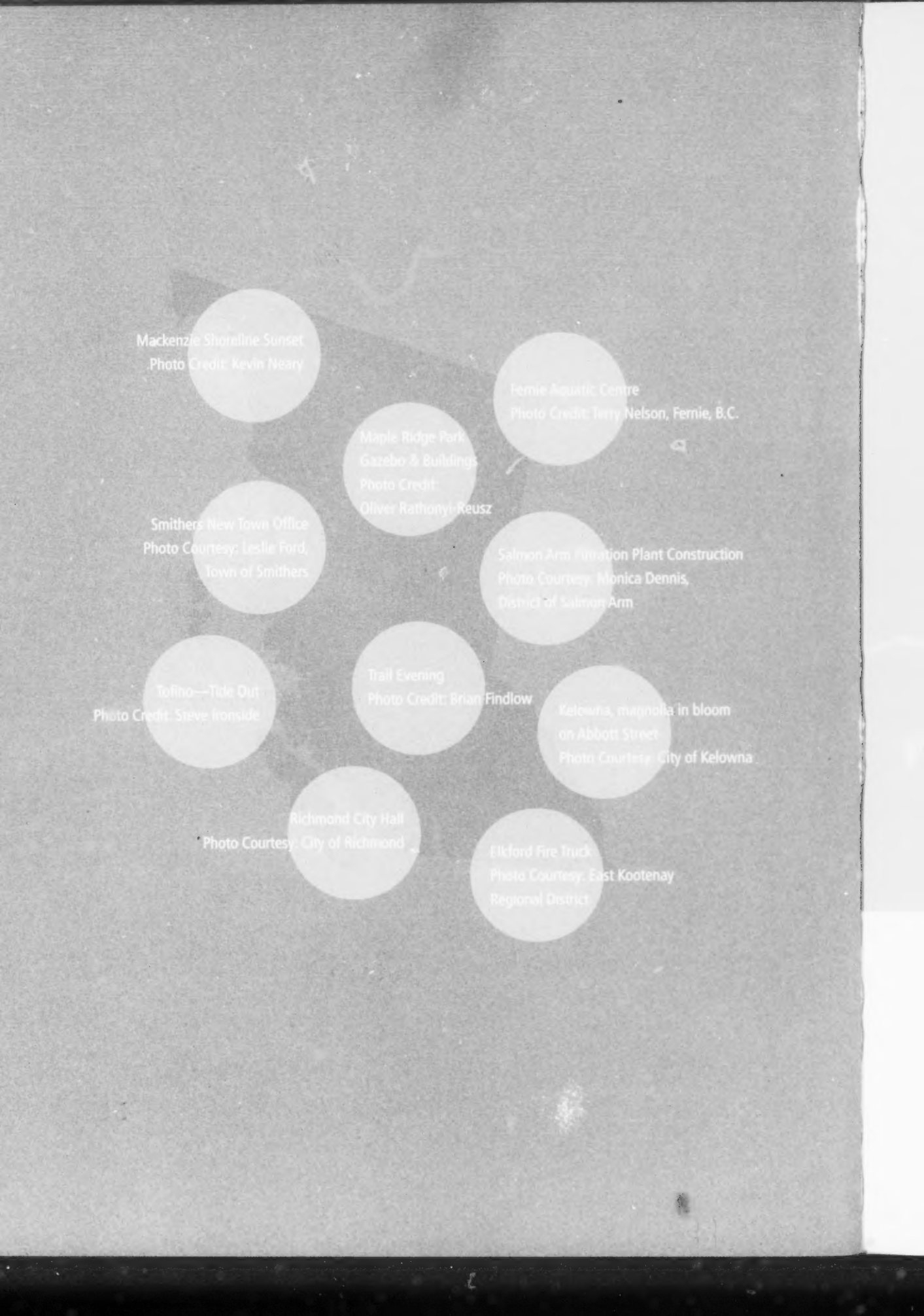
annual report 2004

municipal finance authority of british columbia


Mackenzie Shoreline Sunset
Photo Credit: Kevin Neary
Fernie Aquatic Centre
Photo Credit: Terry Nelson, Fernie, B.C.
Maple Ridge Park
Gazebo & Buildings
Photo Credit:
Oliver Rathonyi-Reusz
Smithers New Town Office
Photo Courtesy: Leslie Ford,
Town of Smithers
Salmon Arm Filtration Plant Construction
Photo Courtesy: Monica Dennis,
District of Salmon Arm
Tofino—Tide Out
Photo Credit: Steve Ironside
Trail Evening
Photo Credit: Brian Findlow
Kelowna, magnolia in bloom
on Abbott Street
Photo Courtesy: City of Kelowna
Richmond City Hall
Photo Courtesy: City of Richmond
Elkford Fire Truck
Photo Courtesy: East Kootenay
Regional District

105-03423/

AAA—A proven track record of financial success

Three letters—AAA—define the success of the Municipal Finance Authority of British Columbia. AAA represents the highest possible credit rating in the world, and the MFABC has held this coveted position since 1980. What does AAA mean to our clients, and to the people of British Columbia? It ensures that we are able to borrow debt at interest rates lower than the chartered banks and pass these savings on to our local government clients. This allows our members—local governments across the province—to do more to serve their communities. The credit for earning and maintaining our AAA credit rating rests squarely on the shoulders of a group of very dedicated people—our members, trustees, and staff.

mfa-bc

2004 Annual Report

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After the Fire—Okaview Sewer Project

Carla Stephens **COMMUNICATIONS ASSISTANT**
CITY OF KELOWNA

In the fall of 2003 the City of Kelowna received a $1.5 million grant from the Canada/British Columbia Infrastructure Program to assist with the $4 million Okaview Sewer Project. The project provided sewer service to 252 homes in the Okaview Road area near the City's southern boundary. The 2003 Okanagan Mountain Park fire had destroyed 109 of these homes. The City had not planned to extend sewer service to this area for a number of years. However, because of the fire, a large number of property owners needed to replace their septic tanks, and therefore the City decided to expedite the project. Residents initially voted against the project because of the cost, but when the province and the federal government stepped forward with the infrastructure grant, the cost to the City was reduced substantially. Residents then supported the project overwhelmingly.

The grant, which normally takes between eight and 16 months to put in place, was approved in only six weeks. Construction began in March 2004, and displaced families were able to return to their new homes soon after.

Cooperation Expands Recreational Opportunities

Barry McLean **TREASURER**
REGIONAL DISTRICT OF CENTRAL KOOTENAY

In the fall of 2003 the residents of the City of Nelson and Electoral Areas F and a portion of E passed a referendum to borrow $10.3 million to construct a new multipurpose arena and renovate an existing indoor swimming pool. The City also received a $2 million grant from the Canada/British Columbia Infrastructure Program for the project. The project, which resulted from the work of a facility planning committee composed of a wide cross-section of the community, marks a new era of cooperation in recreation. The pool has always been a regional facility, but the City of Nelson and area has been served since the 1930s by an ice arena totally funded by municipal residents.

The completed $12.3 million project will include a museum and art gallery as well as storage, administration offices, a leisure pool, a water slide, an expanded fitness area, and an NHL-size arena suitable for multipurpose use. Construction began in May of 2004, and completion is slated for June 2005.

A Message from the Chair

It is my pleasure to present this 2004 Annual Report on behalf of my colleagues on the Board of the Municipal Finance Authority of BC. We enjoyed continued success with our programs last year, particularly with our new Commercial Paper Program. We were also able to return significant savings and dividends to our members and achieve a breakthrough with our Fall Issue.

Frank Leonard, Chair
Municipal Finance Authority
of British Columbia

New Debenture Issues

Five debenture issues were launched during the year. In addition to our normal 10-year term debentures, structured borrowings were issued to meet the specific needs of our local government clients.

In the Spring of 2004, $100 million was borrowed in two parts to finance local government projects: $60 million fixed for 10 years and a $40 million serial with interest rates ranging from 2.25% to 4.95%. Relending rates to our members were 4.15% to the five-year borrowers, 4.62% to the seven-year borrowers, with all remaining terms receiving 4.86%.

The Fall was a busier time with four debenture issues: the $200,000 Village of Montrose five-year Community Bond raised money in the community at rates favourable to the Toronto market; Prince George borrowed approximately $20 million for one year at 2.88%; our Fall debenture raised $180 million for 10 years at a relending rate of 4.975% and had the distinction of being the first MFA borrowing whose cost of funds was lower than the Province of Ontario's; and lastly, $50 million was borrowed for TransLink for a 20-year period at 5.44%. Debt borrowers participated in a $200,000 dividend in 2004.

Sinking Fund Surpluses

Surpluses to our members from the Sinking Funds in 2004 totalled $17.0 million, comprised of $9.1 million in surplus cheques, and a further $7.9 million in stopped payments. These surpluses arise from our investments, which build up to repay our debt borrowings, having earnings in excess of budgeted amounts. The stopped payments are the future invoice amounts that will no longer be collected from our members.

Voluntary Programs

The users of our Interim Financing and Leasing Programs continued to make use of the much lower interest rates that occur in a steep yield curve environment and the balances in the two programs exceeded $217 million and $64 million respectively.

MFA Operating Revenues

housands $

vestment Pool Returns

of December 31, 2004

nual Rate of Return	One Year	Since Inception*
nd Fund		
Municipal Finance Authority**	4.91%	8.36%
C Short Term Index**	4.87%	8.03%
ermediate Fund		
Municipal Finance Authority**	2.67%	5.18%
C 365-Day Treasury Bill Index**	2.68%	4.91%
oney Market Fund		
Municipal Finance Authority**	2.28%	5.78%
C blended 30/91-Day T-Bill Index**	2.15%	5.53%

nnual Rate of Return **After fees

nking Fund Yields – 2004

of December 31, 2004

eighted Average Yield	
bt Fund	5.732%
bt Reserve Fund	4.927%
ilities	5.471%
ansLink	5.606%
gional Hospital Districts	6.144%

Commercial Paper Recieves Two Top Ratings

The Commercial Paper Program, launched in late 2003, received two "A-1+" ratings—the highest attainable —from Moody's Investors Service and Standard & Poor's. This program now allows the MFA to borrow short-term monies under its own name, and our cost of funds are 4/10ths of 1% lower than those from any chartered bank. This reduction in rates translated into lower interest rates in the Interim Financing and Leasing Program and net savings to our members of $223,000.

Another Successful Year for Pooled Investments

Our Pooled Investment Funds enjoyed another highly successful year, peaking at $1.4 billion in July, and ending the year with $1.2 billion still under administration. The success of this program is not only in the advantageous investment returns to our members, but also provides the funding for our annual $350,000 dividend to the users of this program. Returns for the year were: Money Market 2.28%; Intermediate 2.67%; and Bond 4.91%. Total Pooled Investment dividends since 1992 now total $3.32 million.

Supporting Our Members

Two other "dividends" were provided to our members in 2004: the Len Traboulay Education Fund and the Community Workshops Program.

The Len Traboulay Education Fund allocated $60,000 to post-secondary education course development. Our semi-annual meeting in Kelowna recognized some of the successful applicants: Capilano College, University of Northern British Columbia, the College of the Rockies, and Camosun College. Their courses are designed for local government staff and elected officials that allow local government training to remain current and accessible in all regions of our province.

The Community Workshops Program was requested by close to 40 MFA Clients and focused on the challenges being experienced by B.C.'s communities. Most of the meetings with Councils discussed

Frank Leonard (left) and George Paul, CAO, City of Prince George and Len Traboulay Education Fund (right) present a cheque to Gary Wilson, Professor of Political Science, UNBC (middle).

omic strategies, while other meetings focused on-financial issues. The program is free to our bers and will be available once again in 2005.

ew Memorandum of Understanding with Province

Community Charter now grants local governments ed flexibility in managing operations and expands areas in which communities can request capital ing. Balancing the need to protect our credit rating the additional flexibility to our members, the MFA red into a Memorandum of Understanding with Ministry of Community, Aboriginal and Women's ices (MCAWS). This Memorandum establishes the ess of bylaw approval and focuses on Traditional Non-traditional financing requests:

- Traditional financing requests involve a project undertaken by a local government in the normal course of providing services to its residents, and which has been historically funded by the MFA;
- Non-traditional requests fall outside of the normal course of providing services, and may include business ventures, certain partnering projects, and other non-historically funded items.

nder the Memorandum, the MFA will continue to ive Traditional borrowing requests after approval he Inspector of Municipalities; whereas, when Ministry receives Non-traditional requests they notify the MFA prior to Inspector approval. This will lead to a review and discussions that will focus on whether the Non-traditional request is within the funding purposes for which the MFA was created as a cooperative lending Authority.

A Real Team Effort

I am very fortunate to lead "Team MFA." Vice Chair Colin Kinsley and your Trustees provide support, guidance and scrutiny that surpasses anything I've experienced in business or public life. Our management and staff may be small in number but have the enthusiasm, dedication and expertise that delivers the big impact this Annual Report describes. We are all supported by our government partners—Minister Murray Coell and MCAWS' local government staff; the GVRD's Bob Metcalfe who contributes to our Trustee meetings and participates in the launch of our Issues; and the administrators and treasurers throughout the province who share our vision and common goals. We are also well served by our private sector advisors—the banking syndicate; investment and program contractors; and our solicitors.

All contribute to the success of MFABC—which can be measured by savings and dividends; by two 'AAA' and two 'A-1+' ratings; but perhaps most importantly by our first-class reputation. It is an honour to have the support of the Members of the Authority and to be able to thank all who contributed to another successful year.

Frank Leonard

Frank Leonard **CHAIR**
MUNICIPAL FINANCE AUTHORITY
OF BRITISH COLUMBIA

l Government
tal Projects

d Hansen Reservoir:
ncing Municipal
Supply

CHIEF ADMINISTRATIVE OFFICER
AWSON CREEK

Dawson Creek adopted a long-term Water urance Plan early in 2001. The plan proposed s of work designed to enhance the City's ge and treatment capacity. Phase 1, which he highest priority areas, is complete. a/British Columbia Infrastructure Program funding these initial works, and Dawson d the remainder of the project costs through pal Finance Authority.

he key elements of the Water Quality Plan was the creation of a 100 million gallon reservoir adjacent to the City's Kiskatinaw e. In times of high turbidity, "low-lift" pumps ource water to the new reservoir, where it to settle. High-speed pumps then move the e City's treatment facility. This enhancement ess to source water during spring freshet or rainfalls. Previously, no intake was possible nes. As a result of the project, the City's water become substantially more predictable. provements have also resulted in le operational efficiencies. The high-speed under less stress because the product that leaves the new reservoir is relatively clean, compared to raw river water. Having cleaner water to deal with substantially increases the life span of these expensive pumps. Similarly, the treatment facility is able to process the cleaner source water faster and at less cost. Phase 2 projects (now nearing completion) will further enhance the quality and efficiency of treatment.

The City of Dawson Creek was pleased to be able to name the new facility the Harald Hansen Reservoir. Mr. Hansen was the City's Administrator for many years and helped establish Dawson Creek as a leader in municipal water systems in B.C. Mr. Hansen is now the Administrator for the Peace River Regional District and drives by the new reservoir each day on his way to work.

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mmunity in B.C.

mprised of 35 appointed members
ach of British Columbia's 27 regional
e regional districts are entitled to appoint
e member based on larger populations.
s in turn elect 10 trustees at the Annual
ing. The Board of Trustees is comprised of
hair and eight trustees.
ustees, four must be from the Greater
gional District, one from the Capital
rict, and five from the remaining regional
rustees work closely with staff year-
rmine the policies that guide the MFA's

ers of the MFA meet twice each year, once
General Meeting in March and again in
October at our Semi Annual Meeting.

REGIONAL DISTRICT	MEMBER APPOINTED	ALTERNATE
Alberni-Clayoquot	M. Kokura	H. Chopra
Bulkley-Nechako	S. Smith	R. Murray
Capital	F. Leonard*	A. Habkirk
Capital	C. Causton	A. Lowe
Cariboo	A. Richmond	
Central Coast	T. Corbould	B. Clerx
Central Kootenay	J. Voykin	H.Cunningham
Central Okanagan	R. Hobson*	L. Novakowski
Columbia Shuswap	R. Martin	T. Bacigalupo
Comox-Strathcona	B. Matthews	
Cowichan Valley	M. Coleman*	
East Kootenay	G. Deck	K. Trescher
Fraser-Fort George	C. Kinsley*	
Fraser Valley	T. Raymond	S. Pranger
Greater Vancouver	J. Kingsbury	W. Wright
Greater Vancouver	V. Durman*	D. McCallum
Greater Vancouver	D. Bell	K. Morse
Greater Vancouver	B. Sharp*	S. Young
Greater Vancouver	D. MacLean*	L. Jackson
Greater Vancouver	K. Kumagai*	M. Brodie
Greater Vancouver	M. Grinnell	G. Martin
Greater Vancouver	D. Corrigan	D. Cadman
Kitimat-Stikine	J. Talstra	
Kootenay Boundary	R. Hardie	J. Tatangelo
Mount Waddington	G. Furney*	
Nanaimo	J. Stanhope	D. Haime
North Okanagan	J. Oglow	S. Field
Northern Rockies	T. Craddock	D. Gray
Okanagan-Similkameen	D. Ashton	G. Logan
Peace River	S. Thorlakson	K. Goodings
Powell River	C. Palmer	R. Willow
Skeena-Queen Charlotte	B. Pages	
Squamish-Lillooet	S. Gimse	R. Oakley
Sunshine Coast	E. Steeves	J. Rees
Thompson-Nicola	J. Ranta*	

*Trustee

OFFICERS

Executive Director	Steve Berna
Director of Finance	Graham Egan

Government
Projects

l Waste Management Promotes Recycling k Valley

UBLIC EDUCATION COORDINATOR
TRICT OF EAST KOOTENAY

nal District of East Kootenay (RDEK)
wood and Elkford Transfer Stations in
ey represented an entirely new way of
in the Elk Valley.
e old municipal landfills, which had
pacity. The new facilities provided users
more user-friendly, and convenient way
their garbage.
e equipped with scales for tracking all
clables. The buildings are pre-engineered
with an upper and lower level designed
e waste from city collection vehicles,
ommercial waste generators, and
waste collected at the sites is hauled to
Regional Landfill for disposal.
lities strongly encourage recycling and
. There are bins on site for collecting
d recyclables, including cardboard, paper,
ans, and plastic milk jugs. Designated
been established for collecting other
h as appliances, scrap metal, auto
opane tanks. Yard and garden waste
d waste are also segregated from the

of Sparwood and Elkford, the City of
ctoral Area A share capital expenditures
for all solid waste facilities in the Elk Valley. With the encouragement of the municipalities, the RDEK implemented a unique financing structure to recover operating costs based on the tonnage of waste generated within the communities. This allows the municipalities to receive direct benefits from encouraging waste diversion.

Although borrowing bylaws were in place all along, the construction of the transfer stations was financed internally. This year, miscellaneous improvements at both sites and an intersection upgrade at the Sparwood site marked the final steps in the completion of the project.

The new transfer system has allowed the RDEK to introduce a regionalized approach to waste management. This approach is not only more efficient operationally, but also more cost efficient. In addition, the system has given the RDEK a long-term solution to the management of solid waste in the area.

An effec

services. His ma
restructuring ar
MFA clients and
voice of MFA al

GRAHAM EGA

graham@mfa.b

Graham is resp
investments, th
debt issues and
Fund surpluses
future debt co
Fund, supervise
the preparation
coordinates inf

the Commercia
coordinating a
debt issuance
bylaw and bon

ALLISON BOY

allison@mfa.b

Allison works
Executive Dire
for organizing
including Boar
and the Financ
web site, broch
including the
the Len Trabou

, well-organized team

TEVE BERNA, CA

teve@mfa.bc.ca

teve oversees the MFA's operations
nd works closely with the MFA's
oard of Trustees to establish
rograms, new financial products and
nsibilities are capital financing, debt
ng strong working relationships with
erwriting syndicate. Steve is also the
tional conferences.

or managing
nance of
ecting Sinking
yments, and
m also administers the Debt Reserve
counting department, oversees
nnual financial statements, and
system and software development.

SHELLEY HAHN

helley@mfa.bc.ca

Shelley oversees the day-to-day
accounting for all of our programs.
She prepares our monthly and annual
financial statements and manages
Program. Shelley is responsible for
nistering all bylaws leading up to our
works with the Ministry of CAWS on
ssues.

ith the
is responsible
mbers' activities,
tees' meetings
n. She is responsible for the MFA's
rketing material, and annual report,
d design. Allison is also a member of
ation Fund Committee.

RENATA N. HALE, CGA

renata@mfa.bc.ca

Renata works closely with the Manager of Financial Services in maintaining the accounting records for the Capital Financing Program. She administers disbursements under the Province's former Sewer and Water Grants Program and is also responsible for the Pooled Investment Funds Program.

JANE MORRISON, B.A. Econ.

jane@mfa.bc.ca

Jane is responsible for the daily operations of our Leasing Program and the Interim Financing Program. She also oversees long-term debt invoicing and calculates the dividends payable to our Interim Financing and Leasing clients. Jane also assists Meagan with the Municipal Investment Plan.

MEAGAN CARVER, B.Comm.

meagan@mfa.bc.ca

Meagan is responsible for the daily administration of the Operating Fund and the Municipal Investment Plan. She assists with the monthly accounting processes and with the Pooled Investment Fund. Meagan also assists Jane with the Interim Financing Program.

LORNA ARMITAGE

lorna@mfa.bc.ca

Lorna is the voice you hear and the face you see on the front lines of the MFA. She can direct your questions and calls and also suggest the best sights of the city for out-of-town customers. As our in-house travel agent, Lorna arranges all staff travel. In addition, she assists all staff with their administrative functions.

What can the MFA do for you?

An independent collective structure

The MFA was formed in 1970 to promote the financial well-being of local governments throughout B.C. We do that with a simple yet effective collective structure that operates much like a credit union, pooling the borrowing needs and the investment needs of B.C. communities and providing a wide range of other low-cost, flexible financial services. The MFA is 100% owned by B.C. local government.

What does the MFA do?

We provide capital financing, investment, leasing, and short-term financial services to communities and public institutions across B.C.

Why borrow through the MFA?

The MFA has a AAA credit rating, the highest available. This rating allows local government to receive funding at interest rates below those available to chartered banks in Canada.

We can do more for your community

We do much more than raise money for capital projects. The MFA also offers three programs that your community or organization can use to make the most of its financial resources:

1. Invest surplus funds at better than market rates —professionally managed.
2. Arrange low-cost, flexible leases (prime less 1%) —in or out on one day's notice with no penalties.
3. Provide short-term financing at attractive rates (prime less 1.25%)—in or out on one day's notice with no penalties.

Think of us as local governments' banker—a financial service provider that understands the uniqueness of your community.

Financial Forum

Each year we offer a free one-day Financial Forum to provide networking and education opportunities that expose local communities to new or timely topics. These sessions are presented by experts in the topic area.

Education program

The Len Traboulay Education Fund provides financial assistance to B.C.'s colleges and universities who are developing courses for local government staff and elected officials. The Fund has provided assistance to colleges and universities in most areas of the province.

Community workshops

Each year we arrange a series of free workshops to address issues that are critical to local communities. We explore new ways of doing business and alternative financial management techniques by promoting community solutions that encourage regions to work together.

Sinking funds

Principal repayments on debt borrowed by our clients are managed internally, and the earnings on these investments accumulate to pay off our debt outstanding.

Dividend and surplus

Monies not needed to pay for operations are returned to our clients as dividends—$600,000 in 2004. Investment earnings that exceed the amounts needed to cover our debt commitments are returned as surpluses—$17.0 million in 2004 ($9.1 million being surplus cheques, and a further $7.9 million in stopped payments).

Municipal Investment Program

A voluntary program for municipal employees, elected officials, and their partners that offers substantially lower management fees than your chartered bank. MFA with the chosen service provider, Sun Life, offers an extensive selection of funds in both the registered and non-registered categories to choose from.

Community Bonds

Community Bonds are an alternative to conventional debenture borrowing. Funding is through your community by community members. They can buy them in support of your local project, which creates a strong sense of ownership in the community. Bonds are supported by MFA's AAA credit rating.

Contact us today for more information on any of these programs and services.

Client Participation in MFA Programs

From regional districts to municipalities to first nations to regional libraries, the Municipal Finance Authority is helping to build local communities across British Columbia. All in all, more than 280 groups participate in at least one of our three voluntary programs: Pooled Investments, Interim Financing, or Leasing. In addition to being able to finance capital projects at low interest rates, participants receive dividends on all three programs, save money on short-term borrowings, and lease equipment or rolling stock at preferred rates.

Participation in MFA programs

PI = Pooled Investments
IF = Interim Financing
LE = Leasing
✓ = Yes = In program
• = No = Not in program
x = Not applicable or not available

Regional Districts	PI	IF	LE
Alberni-Clayoquot	•	•	✓
Bulkley-Nechako	✓	✓	•
Capital	✓	•	✓
Cariboo	✓	✓	•
Central Coast	•	•	✓
Central Kootenay	✓	✓	✓
Central Okanagan	✓	•	✓
Columbia Shuswap	✓	✓	•
Comox-Strathcona	•	✓	✓
Cowichan Valley	✓	✓	•
East Kootenay	✓	•	✓
Fraser-Fort George	✓	•	•
Fraser Valley	✓	✓	✓
Kitimat-Stikine	✓	•	•
Kootenay Boundary	✓	✓	✓
Mount Waddington	✓	✓	✓
Nanaimo	•	✓	✓
North Okanagan	✓	✓	✓
Northern Rockies	✓	•	✓
Okanagan-Similkameen	✓	✓	✓
Peace River	✓	✓	•
Powell River	✓	✓	✓
Skeena-Queen Charlotte	✓	•	✓
Squamish-Lillooet	✓	✓	✓
Sunshine Coast	✓	✓	✓
Thompson-Nicola	✓	•	✓

Municipalities	PI	IF	LE
100 Mile House	✓	•	•
Abbotsford	✓	•	•
Alert Bay	✓	✓	✓
Anmore	•	•	✓
Armstrong	✓	•	✓
Ashcroft	✓	✓	✓
Belcarra	✓	•	•
Bowen Island	✓	•	✓
Burns Lake	✓	•	✓
Cache Creek	✓	•	•
Campbell River	✓	•	✓
Castlegar	✓	•	•
Central Saanich	✓	•	•
Chase	✓	•	✓
Chetwynd	✓	•	✓
Chilliwack	✓	✓	•
Clinton	•	✓	✓
Coldstream	✓	✓	✓
Colwood	✓	•	✓
Comox	✓	✓	✓
Coquitlam	✓	•	•
Courtenay	✓	✓	✓
Creston	✓	•	✓
Cumberland	•	✓	✓
Dawson Creek	✓	•	✓
Delta	•	•	✓
Duncan	✓	✓	✓
Elkford	•	•	✓
Enderby	✓	•	•
Esquimalt	✓	•	✓
Fernie	✓	•	✓
Fort Nelson	•	•	✓
Fort St. James	•	•	✓
Fort St. John	✓	✓	✓
Fruitvale	•	•	✓
Gibsons	✓	✓	•
Gold River	✓	•	•
Golden	✓	•	✓
Granisle	✓	•	•
Greenwood	✓	•	✓
Harrison Hot Springs	•	•	✓
Hazelton	✓	•	•
Highlands	•	•	✓
Hope	✓	•	✓
Houston	✓	✓	•
Hudson's Hope	•	•	✓
Invermere	✓	✓	✓
Kamloops	•	✓	✓
Kaslo	✓	•	✓
Kelowna	✓	•	•
Kent	✓	•	✓
Keremeos	✓	✓	✓
Kimberley	✓	•	✓
Ladysmith	✓	•	✓
Lake Country	✓	•	•
Lake Cowichan	✓	•	✓
Langford	✓	✓	✓
Lillooet	✓	•	•
Lumby	✓	•	•
Lytton	•	•	✓
Mackenzie	✓	•	✓
Maple Ridge	✓	•	✓
Masset	✓	•	✓
McBride	✓	•	✓
Merritt	✓	✓	✓
Metchosin	✓	•	✓
Midway	✓	•	✓
Mission	✓	✓	✓
Montrose	•	✓	✓
Nakusp	✓	•	✓
Nanaimo	✓	•	•
Nelson	✓	✓	✓
New Denver	✓	•	✓
New Hazelton	✓	✓	•
New Westminster	✓	•	•
North Cowichan	✓	•	✓
North Saanich	✓	•	✓
North Vancouver (District)	✓	•	✓
Oak Bay	✓	•	✓
Oliver	✓	•	✓
Osoyoos	•	•	✓
Parksville	✓	✓	•
Peachland	•	✓	✓
Pemberton	✓	•	✓
Penticton	✓	✓	•
Pitt Meadows	•	✓	•
Port Alberni	✓	✓	✓
Port Alice	✓	•	•
Port Clements	✓	•	✓
Port Coquitlam	✓	•	•
Port Edward	✓	✓	✓
Port Hardy	✓	•	✓
Port McNeill	✓	•	✓
Port Moody	✓	•	✓
Pouce Coupe	✓	•	✓
Powell River	✓	✓	✓
Prince George	✓	•	✓
Prince Rupert	✓	✓	✓
Princeton	✓	•	•

Local Government Capital Projects

Multipurpose Sports and Entertainment Complex Nears Completion

Sierd Hortsing **PROJECT MANAGER**
CITY OF VICTORIA

Save on Foods Memorial Centre is the City of Victoria's new 7, 000-seat multipurpose sports and entertainment complex scheduled to open in March 2005. Home of the professional ECHL Victoria Salmon Kings, the new multipurpose facility is the culmination of almost a decade of efforts to replace the City's aging Memorial Arena, which was constructed just after World War II. The new facility will host a wide variety of events, including professional and amateur hockey, figure skating, curling, leisure and recreational skating, lacrosse, concerts, stage performances, trade shows, exhibitions, conventions, and assembly meetings. Already booked for the first month are musical acts Rod Stewart and Sarah McLachlan and the Ford Men's World Curling Championships, among others.

In April 2002, Victoria residents supported a referendum that asked approval for a $30 million financing package from the Municipal Finance Authority. The multipurpose facility, which is now nearing completion on the northeast corner of Blanshard Street and Caledonia Avenue on the edge of downtown, is intended to reflect the role of Victoria as the cultural and entertainment centre of the region. Significant features include a Memorial Wall in the main lobby commemorating the role of Victoria's veterans in past wars and peacekeeping missions and the Greater Victoria Sports Hall of Fame housed in the community lobby. Concession areas located in a full wrap-around concourse, a restaurant and lounge, street-level retail areas, and an exterior plaza and public art installation will complement and animate the building.

Centennial Trails 2006 and Beyond

SAANICH PARKS AND RECREATION DEPARTMENT

The District of Saanich will celebrate its centennial in 2006. To honour this milestone, Saanich has envisioned a significant trail and greenways project. Centennial Trails 2006 and Beyond is a plan to develop nearly 45 km of trails with north-south and east-west connections to all areas of the community.

Saanich has a long-standing commitment to the development of community trails and greenways. This principle is embodied in Saanich Official Community Plan documents dating back to the 1960s.

Centennial Trails 2006 and Beyond is a $6.4 million endeavour that is divided into two phases. A Canada/ British Columbia Infrastructure Program grant will initiate Phase 1 of the project to build the Interurban Rail Trail and the Blenkinsop Greenway. Other components of Phase 1 will see trail improvements throughout the community into 2006. Phase 2 of the plan will continue to create trail and greenway connections for residents of Saanich through to 2009.

Client Participation in MFA Programs (continued)

Municipalities (cont'd.)	PI	IF	LE
Qualicum Beach	✓	•	✓
Quesnel	✓	•	✓
Radium Hot Springs	✓	•	✓
Revelstoke	•	✓	✓
Richmond	•	•	✓
Rossland	•	✓	✓
Saanich	✓	✓	✓
Salmo	•	•	✓
Salmon Arm	✓	✓	•
Sayward	✓	•	✓
Sechelt	✓	•	•
Sicamous	✓	•	•
Sidney	✓	✓	✓
Silverton	✓	✓	✓
Slocan	✓	•	•
Smithers	✓	✓	✓
Sooke	✓	✓	✓
Sparwood	✓	•	✓
Squamish	•	✓	•
Stewart	✓	•	✓
Summerland	✓	•	•
Surrey	✓	•	•
Tahsis	✓	•	•
Taylor	✓	•	✓
Telkwa	✓	✓	✓
Terrace	✓	•	•
Tofino	✓	•	✓
Trail	✓	•	✓
Tumbler Ridge	✓	•	✓
Ucluelet	✓	•	✓
Valemount	✓	•	✓
Vanderhoof	•	✓	•
Vernon	✓	•	•
Victoria	✓	•	✓
View Royal	✓	•	✓
Warfield	•	•	✓
Wells	•	•	✓
West Vancouver	✓	•	•
Whistler	✓	•	•
White Rock	✓	✓	✓
Williams Lake	✓	•	✓
Zeballos	✓	•	✓

First Nations	PI	IF	LE
Adams Lake Indian Band	✓	x	x
Chemainus First Nations	✓	x	x
Ch-ihl-kway-uhk Tribe Society	✓	x	x
Cowichan Tribes	✓	x	x
Kamloops Indian Band	✓	x	x
Millbrook First Nation	✓	x	x
Namgis First Nation	✓	x	x
Seabird Island Indian Band	✓	x	x
Songhees/Esquimalt First Nation	✓	x	x
Sto:lo Nation	✓	x	x
T'it'q'et Nation	✓	x	x
Tzeacthen Indian Band	✓	x	x
Westbank First Nation	✓	x	x
Westbank First Nation Taxation	✓	x	x

Hospital/Regional Hospital Districts	PI	IF	LE
Alberni-Clayoquot	•	✓	x
Capital	•	✓	x
Central Okanagan	•	✓	x
Children's and Women's Health Center of BC	✓	x	x
Fraser Fort George	•	✓	x
Interior Health Authority	✓	x	x
Integrated Cadastral	✓	x	x
Kelowna General Hospital Foundation	✓	x	x
Kootenay Boundary	•	✓	x
Kootenay East	✓	✓	x
Nanaimo	•	✓	x
Northwest	•	✓	x
Peace River	•	✓	x
Skeena-Queen Charlotte	•	✓	x
Sparwood General Hospital	✓	x	x
Squamish-Lillooet	•	✓	x
Stuart-Nechako	✓	•	x
Sunshine Coast	•	✓	x
Thompson	•	✓	x

Others	PI	IF	LE
Association of Yukon Communities	✓	x	x
Barriere Improvement District	✓	x	•
Bighorn, Alberta	x	x	✓
Bluewater, Ontario	x	x	✓
Canmore, Alberta	x	x	✓
Village of Carmacks, Yukon	✓	x	x
Captial Regional Housing Corporation	✓	x	x
Central Huron, Ontario	x	x	✓
CivicInfo BC	✓	x	x
CREST	•	✓	✓
Dawson City, Yukon	•	x	✓
E-COMM	•	✓	•
Fraser Basin Council Society	✓	x	x
Fraser Valley Regional Library	✓	x	x
Gananoque, Ontario	x	x	✓
Government Finance Officers' Association	✓	x	x
Greater Napanee, Ontario	x	x	✓
Hedley Improvement District	✓	x	•
Iroquois Falls, Ontario	x	x	✓
Lambton Shores, Ontario	x	x	✓
Municipal Finance Authority of British Columbia	✓	✓	•
Municipal Insurance Association	✓	x	x
Nootka Sound Economic Development Corp.	✓	x	x
North Central Municipal Association	✓	x	x
North Peace Airport Association	✓	x	x
Okanagan-Kootenay Sterile Insect Release	•	✓	x
Shawnigan Improvement District	✓	x	•
Sidney-Ferry Terminal	✓	x	x
South East Kelowna Irrigation District	✓	x	x
Tecumseh, Ontario	x	x	✓
Thorold, Ontario	x	x	✓
Union of BC Municipalities	✓	x	x
Vancouver Island Municipal Association	✓	x	x
Vancouver Island Regional Library	✓	x	x
Welland, Ontario	x	x	✓
West Shore Parks & Recreation	•	x	✓

School Districts Colleges/Universities	PI	IF	LE
College of New Caledonia	•	x	✓
College of the Rockies	✓	x	•
Langara	•	x	✓
School District #6	✓	x	x
University of Northern BC	✓	x	•

Borrowing Power

In 2004, B.C.'s local governments changed their borrowing power calculation from one based upon "How much debt you can borrow" to "Annual debt servicing capacity."

This change to annual servicing brings B.C. local government more in line with borrowing calculations for corporations and municipalities in other provinces. In B.C., with some conservative restrictions applied to local governments that rely heavily on one taxpayer (major industry) and are not well diversified, one-quarter of annual municipal revenues are allowed to service debt payments on long-term, short-term, and capital lease commitments. The numbers break down as follow:

($ MILLIONS)		
Total annual payments – allowable		$836
Actual debt payments		$169
Percentage of borrowing power:		
	Used	20.20%
	Unused	79.80%

In the Greater Vancouver Regional District (GVRD), the area of the largest future capital expenditures, the borrowing power numbers are as follow:

Percentage of borrowing power		
Current 2004	Used	11.25%
	Unused	88.75%
Projected to 2009	Used	22.87%
	Unused	77.13%

This concentration of capital projects in the GVRD is for transportation, water and sewer items. It is occurring in the area of B.C. with the most robust economic and financial statistics and will peak at levels well below those allowable under legislation. This increase is further mitigated by legislation that does not allow increases in debt service expenditures without accompanying increases in revenues (i.e., no deficit budgeting can occur).

Legislative Requirements

Section 174 of the Community Charter "Limit on borrowing and other liabilities", provides authority for the British Columbia Cabinet to limit either the aggregate liabilities of a municipality or the annual cost of servicing the aggregate liabilities and for a method for determining that limit. BC Regulation 254/2004 (Municipal Liabilities Regulation) has limited the annual cost of servicing for certain defined liabilities.

The use of an annual liability servicing limit has been chosen as the limitation model because it provides a clearer picture of the amounts of revenue required to pay for past transactions and events as well as proposed liabilities. This limit is based on a percentage of certain municipal revenues, which is considered a good indicator of a municipality's ability to pay.

The revenues that form the basis for determining the annual liability servicing cost limit are only those revenues that are considered both controllable and sustainable by the municipality. They include such items as: sales of service, Provincial unconditional grants, investment income, gaming revenue, and own purpose tax revenues with a cap on Class 4 (major industry). The liability servicing limit is one quarter of the municipality's previous year's revenues.

Annual liability servicing costs include the principal and interest paid on existing capital obligations (i.e., long-term debt, short-term capital borrowing, capital leases, capital agreements) as well as estimated amounts that would have to be paid if authorized but unissued debt were accessed. These would include amounts of unissued loan authorization bylaws and unrealized capital contingencies or guarantees.

CONTINUED ON PAGE 16

Financial Summary

THOUSANDS OF DOLLARS

AT DECEMBER 31	2004	2003
Capital Financing		
Total assets	**5,070,212**	4,861,635
Loans to Clients outstanding	**3,265,060**	3,190,709
Long-term debt outstanding	**3,910,640**	3,748,257
Investments, including sinking funds	**1,122,924**	1,060,343
Long-term debt, net of investments	**2,787,716**	2,687,914
Short term Loans Outstanding	**229,579**	125,867
Debt Reserve Fund, total assets	**260,733**	256,637
Year ended December 31		
Long-term:		
New loans to Clients	**365,637**	490,089
Loan Repayments from Clients	**291,286**	234,027
New debt issued	**389,296**	492,554
Debt retired	**204,459**	331,647
Interest paid	**235,639**	243,145
Investment income	**73,261**	70,504
Short-term:		
New loans to Clients	**338,079**	246,708
Loan Repayments from Clients	**234,367**	253,148
New debt issued	**136,263**	17,519
Interest paid	**10,231**	7,869
Pooled Investments		
Money Market Fund - Unitholders' Equity	**896,954**	816,339
Intermediate Fund - Unitholders' Equity	**112,034**	117,693
Bond Fund - Unitholders' Equity	**191,875**	169,118

CONTINUED FROM PAGE 14

Borrowing through the MFA

Capital financing through the MFA still requires confirmation from the Ministry of Community, Aboriginal and Women's Services (MCAWS) that a municipality has followed the necessary legal and electoral approval requirements, if applicable, as well as a review of its ability to incur the liability. This review of the ability to pay includes the submission of a Liability Servicing Limit Certificate prepared by the municipality's Finance Officer or municipal auditor. This certificate confirms the municipality's previous year's revenue and summarizes the rolling annual debt servicing costs at the time of the application.

Upon receipt of a municipality's loan authorization bylaw, the accompanying Liability Servicing Limit Certificate, the MCAWS's certificate of approval and the consent of the member's regional district by way of a security issuing bylaw, the application is presented to the MFA's members for approval.

Capital leasing through the MFA also requires the completion of a Liability Servicing Limit Certificate at the time the application is made. Although MCAWS is not involved in the leasing process, legislative procedures regarding rights of renewal and elector approval requirements still must be followed. It is important to note that even if the municipality acquires a capital lease from another commercial or lending institution, it still must report the annual servicing cost to MCAWS at year's end. For further information regarding borrowing procedures you may contact Shelley Hahn, Manager of Financial Services.

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During 200
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issued. The ex

Future Deb
($ millions)

New Debt	
Refinancings	

These debt iss
will focus on
great majority
or transporta

Municipal

As at Decemb

Total Municipal R	
Net Debt (gross d	
Ratio of Reserves	

ented below provides some ratio
tors and should be read in conjunction
m the Chair report, which provides
r the year 2004.
MFA clients completed forward-looking
ns. Once completed, these plans allowed
estors of the probable future borrowing
in 2005 and projecting into 2011. While
rrowings will be 10 years in term, it is
smaller 20-year debentures will also be
issuance is detailed in the following chart:

nce

5	2006	2007	2008	2009	2010	2011
0	666	666	346	275	285	488
6	53	108	184	379	21	279
6	719	774	530	654	306	767

, in accordance with previous MFA practice,
ne or early December maturity dates. The
above borrowings will be for sewer, water,
ital projects.

es

2004, Net Debt vs. Municipal Reserves are:

sh and investments)	$3,628,000,000
king fund investments)	$2,701,000,000
t	1.3 : 1

Net Asset Position

When the MFA consolidates the members' Reserves and Surplus with its own Balance Sheet items, the Net Asset Position is as follows:

	($ MILLIONS)
Receivables from members	$3,475
Sinking Fund assets under management	1,277
Uncommitted members' Reserves and Surpluses	1,400
Commercial Paper Back-Stop Lines	200
Total Assets	$6,352
Long-term debt – Gross	($3,910)
Commercial Paper debt	(200)
Total Liabilities	($4,110)
Asset to Debt coverage	1.54 : 1.00

Debenture Terms

The MFA normally issues 10-year debentures, but with our increased debenture volume, in future years we are also looking for private placements that match investor interest with client demands. These private deals will likely be for $50 million, or smaller, and will enable the MFA to better hedge its loan receivables to its debt liabilities. We welcome investor feedback regarding investment needs, and this feedback can be made to one of our syndicate members or to the Executive Director, Steve Berna.

Commercial Paper Program

In 2004 the MFA issued commercial paper in excess of $1.5 billion dollars in terms ranging from 28 to 364 days. Issuing commercial paper in addition to credit line advances allows the MFA to save approximately $30,000 per month in interest charges (before costs). The CP Program currently enjoys the highest possible rating from both Moody's Investors Service (P-1) and Standard & Poor's (A-1+).

Thank you for your support.

Responsibility

The Municipal Financ
established in 1970 b
British Columbia Act

Regional districts a
term capital requiren
by senior levels of go

Since 1995, our Cl
Greater Vancouver W
Sewerage and Drain
Communications for
Regional Hospital Di
Transportation Autho

The City of Vancou
the right to issue its
Taxable land and imp
are nevertheless sub
Finance Authority fo
replenish the debt re

Representation

The Province of B.C.
each of which is gov
of representatives o
unincorporated area
who represent these
and trustees and a c
provided on page 7.

Funding

When the MFA's Clie
Ministry-approved r
approved by its mem
conditions, the MFA'

issue and sale of securities sufficient to meet aggregate Client requests.

Proceeds from the sale of these securities are not to exceed the amount authorized. The Board of Trustees also determines the rates, terms, and conditions, including the markets and currencies, for the sale of these securities.

The MFA has the power to provide for the creation, management, and application of sinking funds, or other means of securing the repayment of its securities, including calling for their early redemption.

A separate sinking fund account is maintained for each securities issue. Principal repayments from Clients, or monies which cannot be immediately applied toward repaying the debt, may be invested in:

a) securities of the government of Canada or a province of Canada, or

b) securities fully guaranteed by the government of Canada or by a province of Canada, or

c) securities of a municipality or regional district in B.C. or another province of Canada, maturing not later than the securities for which the sinking fund was created, or

d) investments guaranteed by a Canadian chartered bank, or

e) deposits in or securities of a credit union incorporated under the British Columbia Credit Union Act, or

f) securities of the MFA maturing not later than the securities for which the sinking fund was created.

ority of British Columbia was
Municipal Finance Authority of

municipalities finance all long-
rough the MFA, except those met
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se has expanded to include the
strict and the Greater Vancouver
trict (Utilities), Emergency
vest British Columbia (E-Comm),
RHD), and the Greater Vancouver
VTA or TransLink).
he only municipality that retains
curities to finance capital projects.
ents within the City of Vancouver
rates levied by the Municipal
nual operating levy, and also to
und, should it ever be drawn upon.

ed into 27 regional districts,
y a regional board consisting
mber municipalities and
MFA is comprised of 35 members
s. A complete listing of members
on of how they are selected is

h to finance capital projects,
are presented to the MFA and
ubject to market and economic
of Trustees then may authorize the

afeguard Investors

tion

ed credit of all the regional districts and their
ties, the utilities, TransLink, and regional
which together have essentially all the
nprovements in the province – stands behind
ns.
MFA has established a debt reserve fund.
ontribute to this fund for securities issues in
ate that have a term of five years or more.
equal to one-half the Client's average annual
est installment. This amount is payable to the
f issue, either in full or in an amount equal
the principal amount borrowed. (TransLink
ercent). The balance is secured by a non-
emand note of the regional district or regional
sued to the MFA.
o the debt reserve fund, and interest that
e obligations of the MFA to its Clients and
to them when final loan installments have
ever, if a municipality, utility, or TransLink has
ot obligation to a regional district, the MFA
erm of the issue, repay to the regional district a
ligation. This repayment will be for the credit
ty, utility, or TansLink.
the MFA lacks sufficient funds to meet
t, or sinking fund payments due on its
ust utilize the debt reserve fund. All or any part
ailable to satisfy MFA obligations, regardless
the money in the fund. In the event that
ade from the debt reserve fund, the MFA will
yments from the regional districts and regional
involved to restore the debt reserve fund.
are of the opinion that payments made from
fund will not be recovered within a reasonable
levy upon all taxable land and improvements in
ax sufficient to restore the fund. It is mandatory
to levy such a tax when the balance in the debt
less than 50 percent of what the balance would
no such payments been made. The defaulting
ieved of its unpaid balance owing and is
obligated to reimburse the other MFA Clients that covered the default.

The Trustees power to impose taxes does not require the permission or approval of any other governmental authority. Pending the receipt of such taxes, the Authority may borrow an equivalent amount to meet its obligations.

The provincial government has guaranteed that the debt reserve fund will be maintained in accordance with the Municipal Finance Authority Act. The Inspector of Municipalities may inspect the fund from time to time and issue a certificate that it has been maintained at the proper level.

Monies in the debt reserve fund may be invested in:

a) securities of the government of Canada or a province of Canada, or
b) securities fully guaranteed by the government of Canada or a province of Canada, or
c) deposits in or investments guaranteed by a Canadian chartered bank, or
d) deposits in or securities of a credit union incorporated under the British Columbia Credit Union Act.

These investments must mature or be callable within five years and at least 25 percent of the fund must be callable within 90 days.

Legislative Protection

Clients who finance through the MFA must obtain the same provincial approvals as are required if they were issuing their own securities. In this way, all the safeguards imposed by the B.C. legislature on incurring Clients' indebtedness are retained. These safeguards require that the Inspector of Municipalities or the Ministry of Health approve the debt and user charges, if any, and other taxes to service the debt. In addition, sewer and water projects require a certificate of self-liquidation from the Inspector of Municipalities.

Limitations on the borrowing power of a Client for each borrowing function (i.e., sewer, water, roads, etc.) may be specified in its letters patent. Municipalities in B.C. cannot borrow debt that will cause its annual debt service payments to exceed 25 percent of its revenues.

How We Serve

The Municipal Finance Aut
made economic sense for
districts to borrow togethe
other's credit. By acting to
interest rate financing for
offer other innovative, flex

Organization

The Municipal Finance Aut
to authorize the MFA to p
opportunities for regional
1992, the Act was further
program to certain other p

The amendments result
of three pooled investmen
operations in May, 1989 a

Participation

Participation in the Pooled
institutions is voluntary.

Investment activities

The investment activities
Municipal Finance Author
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Organization

The Interim Financing Pro
December, 1990 after ame
Finance Authority Act to e
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Participation

Participation in the Interi
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Clients

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we are able to provide low-
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ancial services.

ct was amended in 1988
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and municipalities in B.C. In
d to extend the investment
stitutions in B.C.
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Two funds commenced
rd in 1994.

nent Program by public

nds are governed by the
nd a charter of investment
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mmenced operations in
ts were made to the Municipal
e MFA to offer interim
municipalities. In 1992,
nclude certain other public

ing Program by public

Purposes for which interim financing may be provided

The Authority may provide financing for one or more of the following purposes:

a) temporary financing of capital projects
b) short-term capital borrowing up to five years
c) tax revenue anticipation borrowing
d) temporary financing to meet current operating expenditures

Organization

In 1995, the Municipal Finance Authority started its Pooled Leasing Program, funded with the same line of credit as the Interim Financing Program. The Authority is authorized to finance short-term debt for capital expenditures, including leasing.

Purposes for which leasing may be provided

All commonly leased assets, from office equipment to rolling stock, are eligible under the program.

Participation

Participation in the program is voluntary. The program is now available to colleges and universities and may also soon be made available to other public bodies.

Auditors' Report

To the Members of the Municipal Finance Authority of British Columbia

We have audited the consolidated balance sheets of the Debt Fund, Debt Reserve Fund, Operating Fund and the Short-term Debt Fund (collectively, the "Capital Financing Funds") of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 2004 and 2003, the consolidated statements of revenue, expenditure and surplus and cash flows of each of these Funds for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Capital Financing Funds of the Authority as at December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
January 28, 2005

Consolidated Balance Sheets

DECEMBER 31, 2004 AND 2003

THOUSANDS OF DOLLARS

		CONSOLIDATED		DEBT FUND	
		2004	2003	2004	2003
ASSETS					
Loans to Clients (Note 2) (Schedule page F27)	$	3,245,464	3,190,709	3,265,060	3,190,709
Short-term loans to Clients (Note 3)		229,579	125,867	-	-
Investments, net of holdings of the Authority (Note 4)		1,122,924	1,060,343	1,065,567	1,002,053
Investments under management (note 5)		154,210	174,715	154,210	174,715
Accrued interest and other receivables		101,266	90,258	99,967	89,331
Demand notes receivable		178,912	177,044	-	-
Unamortized issue costs		28,726	32,986	28,500	32,640
Cash and cash equivalents		8,326	8,770	5,193	5,899
Capital assets (Note 6)		805	830	-	-
Due from Debt Fund (Note 7)		-	-	-	-
Due from Short-term Debt Fund		-	-	-	-
	$	5,070,212	4,861,522	4,618,497	4,495,347
LIABILITIES					
Long-term debt (Note 8) (Schedule page F22)	$	3,910,640	3,748,257	3,953,712	3,768,875
Bank and short-term indebtedness (Note 9)		349,689	213,426	-	-
Due to Clients (Note 10)		277,479	281,439	16,749	24,804
Due to Clients – investment under management (Note 5)		154,210	174,715	154,210	174,715
Accounts payable and accrued interest payable (Note 11)		39,944	44,712	39,485	44,302
Due to Short-term Debt Fund (Note 7)		-	-	118,940	86,889
Due to Operating Fund		-	-	32	29
Total liabilities		4,731,962	4,462,549	4,283,128	4,099,614
Equity in capital assets		805	830	-	-
Appropriated surplus		504	788	-	-
Surplus (Note 1b)		336,941	397,355	335,369	395,733
	$	5,070,212	4,861,522	4,618,497	4,480,347

SECRETARY-TREASURER

DEBT RESERVE FUND		OPERATING FUND		SHORT-TERM DEBT FUND	
2004	2003	2004	2003	2004	2003
-	-	-	-	-	-
-	-	-	-	229,579	125,867
80,833	78,908	-	-	-	-
-	-	-	-	-	-
464	363	166	356	669	321
178,912	177,044	-	-	-	-
-	-	-	-	226	346
524	322	1,865	2,306	744	243
-	-	805	830	-	-
-	-	32	29	118,940	86,889
-	-	280	-	-	-
260,733	256,637	3,148	3,521	350,158	213,666
-	-	-	-	-	-
-	-	-	-	349,689	213,426
260,730	256,635	-	-	-	-
-	-	-	-	-	-
3	2	330	327	126	81
-	-	-	-	-	-
-	-	-	-	280	113
260,733	256,637	330	327	350,095	213,620
-	-	805	830	-	-
-	-	504	788	-	-
-	-	1,509	1,576	63	46
260,733	256,637	3,148	3,521	350,158	213,666

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Consolidated Statement of Revenue, Expenditure & Surplus

YEARS ENDING DECEMBER 31, 2004 AND 2003

THOUSANDS OF DOLLARS

	CONSOLIDATED		DEBT FUND	
	2004	2003	**2004**	2003
REVENUE				
Interest from loans to Clients	$ **253,649**	258,180	**245,611**	253,751
Investment income	**73,261**	70,504	**69,195**	66,868
Management fees	**742**	673	-	-
Recoveries from new issues	**429**	429	-	-
Operating levy	**119**	108	-	-
Total revenue	**328,200**	329,894	**314,806**	320,619
EXPENDITURE				
Interest on long-term debt	**235,639**	243,145	**235,639**	243,145
Interest on bank and short-term indebtedness	**10,231**	7,869	**3,142**	3,909
Amortization of issue costs	**5,451**	5,365	**5,331**	5,275
Administrative	**2,998**	2,933	-	-
Management fees	-	-	**1,142**	1,915
Accrual of investment income due to Clients	**8,337**	4,193	**4,490**	782
Debt management and marketing	**241**	239	-	-
Total expenditure	**262,897**	263,744	**249,744**	255,026
Excess of revenue over expenditure for the year	**65,303**	66,150	**65,062**	65,593
Surplus, beginning of the year	**397,355**	415,308	**395,733**	413,855
Allocations to Clients (Note 12)	**(125,426)**	(83,715)	**(125,426)**	(83,715)
Application to equity in capital assets	**25**	25	-	-
Application of appropriated surplus	**788**	975	-	-
Appropriation of surplus	**(504)**	(788)	-	-
Dividends paid	**(600)**	(600)	-	-
Surplus, end of the year	$ **336,941**	397,355	**335,369**	395,733

DEBT RESERVE FUND		OPERATING FUND		SHORT-TERM DEBT FUND	
4	2003	2004	2003	2004	2003
-	-	-	-	8,038	8,338
6	3,530	100	106	-	-
-	-	2,442	2,854	-	-
-	-	429	429	-	-
-	-	119	108	-	-
6	3,530	3,090	3,497	8,038	8,338
-	-	-	-	-	-
-	-	-	-	7,089	7,869
-	-	-	-	120	90
-	-	2,666	2,742	332	191
3	80	-	-	480	186
7	3,411	-	-	-	-
1	39	200	200	-	-
6	3,530	2,866	2,942	8,021	8,336
-	-	224	555	17	2
-	-	1,576	1,409	46	44
-	-	-	-	-	-
-	-	25	25	-	-
-	-	788	975	-	-
-	-	(504)	(788)	-	-
-	-	(600)	(600)	-	-
-	-	1,509	1,576	63	46

COMPANYING NOTES TO FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

YEARS ENDING DECEMBER 31, 2004 AND 2003

THOUSANDS OF DOLLARS

	CONSOLIDATED		DEBT FUND		
	2004	2003	2004	2003	20
OPERATING ACTIVITIES					
Excess of revenue over expenditure for the year	$ 65,303	66,175	65,061	65,593	
Non-cash items:					
(Gain) Loss on disposals of investments	(5,651)	(2,929)	(4,336)	(2,956)	(1,3
Accretion of discounts on investments	(28,214)	(31,221)	(27,349)	(29,736)	(8
Amortization of issue costs	5,451	5,365	5,331	5,275	
Accrual of investment income due to Clients	8,337	5,622	4,490	2,211	3,8
Amortization on building	25	25	-	-	
Changes in accrued interest and other receivables	(11,008)	(9,233)	(10,636)	(9,506)	(1
Changes in accounts payable and accrued interest payable	(4,784)	(748)	(4,833)	103	
Net cash provided by (applied to) operating activities	29,459	33,056	27,729	30,984	1,5
INVESTING ACTIVITIES					
Investments sold or matured	1,406,142	1,254,531	582,678	680,081	823,4
Investments purchased	(1,417,069)	(1,286,747)	(593,861)	(714,564)	(823,2
Net cash provided by (applied to) investing activities	(10,927)	(32,216)	(11,183)	(34,483)	2
FINANCING ACTIVITIES					
New debt issued	389,296	492,554	389,296	492,554	
Bank indebtedness	136,263	17,519	-	-	
Sewer and water grant contribution from Province of B.C.	1,160	295	1,160	295	
Loan repayments from Clients	525,653	487,175	291,286	234,027	
New loans to Clients	(703,716)	(736,797)	(365,637)	(490,089)	
Debt retired	(204,459)	(331,647)	(204,459)	(331,647)	
Issue costs	(1,191)	(2,166)	(1,191)	(2,166)	
Changes in interfund balances	-	-	32,054	23,692	
Contribution from Clients for new loans	5,001	5,971	-	-	5,0
Contributions from Clients for investment under management	-	173,265	-	173,265	
Contributions and earnings thereon refunded to Clients	(6,622)	(10,282)	-	-	(6,6
Allocations of surplus payments to Clients	(125,426)	(83,715)	(125,426)	(83,715)	
Allocation of sewer and water grant payments to Clients	(8,600)	(11,951)	(8,600)	(11,951)	
Allocation of investment under management to Clients	(25,735)	-	(25,735)	-	
Dividends paid	(600)	(600)	-	-	
Net cash provided by (applied to) financing activities	(18,976)	(379)	(17,252)	4,265	(1,6
Increase (decrease) in cash and cash equivalents	(444)	461	(706)	766	2
Cash and cash equivalents, beginning of the year	8,770	8,309	5,899	5,133	3
Cash and cash equivalents, end of the year	$ 8,326	8,770	5,193	5,899	5

Supplementary cash flow information (Note 13)

SEE

T RESERVE FUND		OPERATING FUND		SHORT-TERM DEBT FUND
2003	2004	2003	2004	2003
-	224	555	17	2
27	-	-	-	-
(1,485)	-	-	-	-
-	-	-	120	90
3,411	-	-	-	-
-	25	25	-	-
(181)	77	824	(348)	(370)
(1)	3	(993)	45	168
1,771	329	411	(166)	(110)
574,450	-	-	-	-
(572,183)	-	-	-	-
2,267	-	-	-	-
-	-	-	-	-
-	-	-	136,263	17,519
-	-	-	-	-
-	-	-	234,367	253,148
-	-	-	(338,079)	(246,708)
-	-	-	-	-
-	-	-	-	-
6	(170)	(10)	(31,884)	(23,688)
5,971	-	-	-	-
-	-	-	-	-
(10,282)	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(600)	(600)	-	-
(4,305)	(770)	(610)	667	271
(267)	(441)	(199)	501	161
589	2,306	2,505	243	82
322	1,865	2,306	744	243

PANYING NOTES TO FINANCIAL STATEMENTS

tes to Financial Statements

D ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

nificant Accounting Policies

sis of presentation

nicipal Finance Authority of British Columbia (the "Authority"), s under the Municipal Finance Authority Act (the "Act") as the borrowing agency for the financing of capital requirements of l districts and their member municipalities, regional hospital and other special purpose municipal bodies (collectively the s"). The Authority issues its own securities and lends the proceeds lients on whose request the financing is undertaken. Obligations Authority are not obligations of the Province of British Columbia not guaranteed, directly or indirectly, by the Province. The ity may annually impose rates not exceeding prescribed amounts axable land and improvements in the Province to meet the annual ng budget. Additional rates will be levied if the Trustees are of the that debt payments may not be recovered within a reasonable nder loan agreements with its Clients.

accompanying financial statements reflect the capital financing neral operations of the Authority. Other activities, including the nance of pooled investment funds are reported separately by thority.

financial statements of the Authority have been prepared nagement in accordance with Canadian generally accepted nting principles. The Authority maintains its accounts according principles of fund accounting by which financial resources are ated for specific activities or to attain certain objectives. Four are maintained within the Capital Financing activities.

following is a brief description of each of the Capital Financing and its purpose:

rating Fund

t provides for the establishment of an Operating Fund to meet nual operating budget. In addition to the administration of the l Financing activities, the Operating Fund receives management om the Pooled Investment funds and the Short-term Debt Fund ays the cost of their operations.

Debt Fund

The Authority's financing activities on behalf of its Clients are recorded within the Debt Fund. As well, the Debt Fund is a repository for repayments from the Clients under their loan agreements in advance of the Authority's requirements on its related indebtedness.

Debt Reserve Fund

Under the Act, the Authority must establish a Debt Reserve Fund. Each Client sharing in the proceeds of a securities issue is required to pay into the Debt Reserve Fund an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing, together with one-half the average annual installment of principal and interest as set out in the agreements entered into with the regional district by member municipalities, utilities and TransLink in respect of their borrowings; such amount is payable either in full or in an amount equal to 1% (2% for TransLink) of the principal amount borrowed with the balance secured by a non-interest-bearing demand note.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund.

Short-term Debt Fund

The Authority has established a short-term financing program to provide financing to local governments under section 9.1 of the Municipal Finance Authority Act. The Act was amended in 1992 to extend financing to other public institutions (as defined) in the Province of British Columbia.

The fund provides a revolving credit facility for its members under two programs:

i) Interim Financing Program – for tax revenue anticipation, interim funding requirements and temporary financing of capital projects.

ii) Leasing Program – for funding the short-term leasing of capital assets.

b. Surplus

The surplus ba
on investment
actuarial earni
amount of sur
of revenue, ex

The Authori
operating expe

c. Revenue

The annual op
Fund when th
year. It is colle
the Province a
Authority on A

d. Amortiz

Issue costs inc
straight-line b

e. Investm

The investmen
match the ma
dates of its de

Securities p
until market c
a better invest
amortization
yield basis. An
securities are
Surplus in the

Securities m
either shorter
adjusted for a
an effective-yi
declines belov
other than ten
Write-downs
securities are
Surplus in the

f. Capital

Capital assets
provided on a

the Debt Fund represents undistributed earnings
distributed earnings in excess of budgeted
due to Clients once the debt is retired. The
llocated to Clients is disclosed in the statements
e and surplus (see note 12).
ppropriate operating surpluses for future

nition

evy is recognized as revenue in the Operating
ave been set by the Authority in March of each
behalf of the Authority by the municipalities in
rovincial Surveyor of Taxes and is payable to the
each year.

f issue costs

scounts and premiums are amortized on a
the lives of the securities to which they relate.

sing and trading policy of the Authority is to
its investments with the applicable obligation

with the intention of holding to maturity or
, such as a change in interest rates, provide
portunity are recorded at cost, adjusted for
ms and accretion of discounts on an effective-
nd losses on the disposal of investment
in the Statements of Revenue, Expenditure and
disposal.
rchased for investment return and may be
term. Such securities are also recorded at cost,
on of premiums and accretion of discounts on
. When the market value of trading securities
value and such decline in value is considered
these securities are written down to market.
and any gains and losses on the sale of these
in the Statements of Revenue, Expenditure and
occur.

ed at cost. Amortization of the building is
line basis over 40 years.

g. Financial instruments

The Authority will enter into certain derivative financial instruments upon request of individual Clients, principally interest rate swap contracts, in consideration of the re-financing risk regarding exposure to future interest rate fluctuations. Derivative instruments are accounted for as hedges and the financial impact of these contracts are not recognized in the financial statements on inception but are recognized at the execution date of the contracts (i.e., the re-financing date) as adjustments to the Client's future re-lending rate. These adjustments to the re-lending rate become the responsibility of the individual Client involved in the interest rate swap contract. Fair values are determined using market prices for the underlying derivative instruments.

h. Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of the financial statements include the assumption of a 5% expected earnings rate on sinking funds, which makes up a portion of the asset "Loans to Clients" (See note 2).

i. Comparative figures

Certain 2003 comparative figures have been reclassified to conform to the financial statement presentation for the current year.

lients

ch Client sharing in the proceeds of a securities issue the Authority such sums as are required to discharge the Authority in respect to such securities issue. If yments provided for under the loan agreement are neet the Authority's obligations in respect of that ne deficiency is a liability of the Client to the Authority. principal payments recoverable from the Clients in five years (excluding principal payments suspended as re as follows:

LLARS	2004	2003
$	–	161,523
	164,638	158,958
	169,748	166,808
	167,435	164,352
	158,400	153,593
	146,780	

rity, under the Section 12 of the Act and with the nspector of Municipalities, has determined that the ssets in the sinking fund together with the anticipated fund is greater than the amount which will be the debt or discharge the obligation and has declared nticipated surplus in the fund of a specified amount, ture payments of both principal and interest from the related loan agreements are suspended.

nts include $2,242,677 (2003 – $4,218,681), which lenominated in U.S. dollars. Under the terms of the , these loans have been fixed at an exchange rate to s of 1.35 and are reflected at their Canadian dollar nancial statement purposes.

m loans to Clients

oans receivable represent loans for the following

OLLARS	2004	2003
ng Program		
ation $	9,289	6,686
g of capital projects	140,406	40,552
borrowing	15,381	15,869
	165,076	63,107
m:		
f capital equipment	64,503	62,760
$	229,579	125,867

4. Investments

Investments consist of securities of:

			2004	2003
THOUSANDS OF DOLLARS		Par Value	Book Value	Book Value
DEBT FUND				
Government of Canada, direct or guaranteed	$	74,942	62,946	75,209
Provincial governments, direct or guaranteed		649,265	474,848	472,303
Chartered banks, direct or guaranteed		500,319	492,593	428,312
Credit unions in the province of B.C.		10,000	10,000	–
Regional and municipal governments		1,725	1,704	5,611
		1,236,251	1,042,091	981,435
The Authority		23,349	23,476	20,618
	$	1,259,600	1,065,567	1,002,053
DEBT RESERVE FUND				
Government of Canada, direct or guaranteed	$	20,443	12,023	16,216
Provincial governments, direct or guaranteed		11,374	11,595	28,476
Chartered banks, direct or guaranteed		54,765	54,110	31,116
Credit unions in the province of B.C.		3,105	3,105	3,100
	$	89,687	80,833	78,908
Total, all funds		1,349,287	1,146,400	1,080,961
Less investments held by the Authority		23,349	23,476	20,618
CONSOLIDATED TOTAL	$	1,325,938	1,122,924	1,060,343

The Authority may invest monies in its own securities maturing not later than the securities for which the sinking fund account was created. Of the $23,476,000 (2003 – $20,618,000) in investments held by the Authority, $8,476,000 (2003 – $5,618,000) represent the Authority's own debentures purchased from the market and $15,000,000 (2003 – $15,000,000) represent an internal issuance under Long-term Debt Issuance #67.

Investments in Municipal Finance Authority of B.C. debentures have been offset against the related debt in the combined statements (see "Debt Fund – Schedule of Long-term Debt," F22).

5. Investments u

In 2003, the Greater V and entered into an a portion of the cash pr under management. T

THOUSANDS OF DOLLAR

SECURITIES

Government of Canada, d

Provincial governments di

The Authority

CASH

Accrued interest and othe

TOTAL ASSETS

It is the intent of the on these holdings as interest earned will b

6. Capital assets

Capital assets represe out of which the Auth at an original cost of net of accumulated a – $168,000).

7. Due from Deb

The Authority's clie years. Since most d matures in 10 years through a new deb own Interim Financ refinancing tool to market, and sinking these refinancing is were $118,940,490 interfund transactio

nanagement

r Water District borrowed $200 million
t whereby the Authority manages a
rom that borrowing as investments
estments consist of:

		2004	2003
	Par Value	Book Value	Book Value
aranteed	$ 135,480	137,932	158,556
aranteed	10,000	10,032	10,050
	$ 145,480	147,964	168,606
	4,350	4,357	4,360
	$ 149,830	152,321	172,966
		147	23
		1,742	1,726
	$	154,210	174,715

Vancouver Water District to draw down
and it is anticipated that principal and
tly repaid by December 2006.

et book value of the land and building
erates. The land and building, purchased
0, is reflected in the Operating Fund,
ion of the building of $193,000 (2003

/Due to Short-term Debt Fund

choose loan terms from five to 30
e debt issued to finance these loans
bt issues must be refinanced either
ssuance or through the Authority's
gram. The decision on which
ade based on taking economic,
ositions into account. At year end
rough the Interim Financing program
– $86,889,036) and are presented as
inancial statement purposes.

8. Long-term debt

The aggregate long-term debt maturities in each of the next five years are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder):

THOUSANDS OF DOLLARS		2004	2003
2004	$	–	204,041
2005		477,582	452,308
2006		299,509	274,691
2007		302,370	297,052
2008		387,565	382,247
2009		763,799	

Since the terms of maturities of certain of the Authority's securities issues and the loan terms requested by its Clients do not coincide, refinancing of a portion of such securities issues will be required in future years. Refinancings over the next five years and the average interest rates on the refinanced amounts, are as follows:

THOUSANDS OF DOLLARS		REFINANCING	EXISTING INTEREST RATE %
2005	$	148,700	8.04
2006		55,000	6.41
2007		79,600	6.20
2008		203,500	5.27
2009		245,600	6.04

9. Bank and short-term indebtedness

Indebtedness consists of the following:

THOUSANDS OF DOLLARS		2004	2003
Interim Financing Program			
Revolving line of credit	$	141,491	23,947
Commercial Paper		143,147	125,889
	$	284,638	149,836
Leasing Program			
Revolving line of credit	$	65,051	63,590
Bank and short-term indebtedness	$	349,689	213,426

The Authority has an agreement under which a commercial bank provides a revolving credit facility of up to $300,000,000 subject to repayment within 30 days following demand by the bank. As at year end, the interest rate on this facility was 2.81% (2003 – 3.00%).

The commercial paper facility allows for the issuance of paper in the name of the Authority up to 365 days in duration and requires a fully backed standby line of credit from one or more chartered banks. As at year end, the interest rates on Commercial Paper outstanding ranged from 2.14% to 2.78% (2003 – 2.63% to 2.66%).

s

ue to Clients is $260,730,000 (2003
n will be repaid to Clients when they have made
r their respective loan agreements. However,
as discharged its obligation to a regional
a securities issue, the Authority may repay to
the credit of the municipality a portion of the
igation to the regional district and the money so
o reduce that obligation.

uthority does not have sufficient funds to meet
nd contributions due on its obligations, the
nd contributions must be made from the Debt

Authority are of the opinion that the payments
eserve Fund may not be recovered under the
ements within a reasonable time, they may levy
ntially all taxable land and improvements in the
t to maintain the Debt Reserve Fund at a level
unt which would have been in the fund had no
ade. Further, the Board of Trustees must impose
alance in the fund is less than 50 percent of the
ve been in the fund had no such payments been

s due to Clients are sewer and water
nt monies payable to regional districts and
March 2002, certain regional districts and
wer and/or water facility loans outstanding
nual grant funding from the Province of
set a portion of annual debt servicing costs
2, the Authority received a lump sum payment
nd payment of $295,000 in April 2003, and
of $1,160,418 in September 2004 from the
n towards these loans outstanding. The Authority
bute these payments to Clients on a semi-annual
al and interest payments are received from

timated that total distributions of these funds
of the applicable sewer and/or water loans to
– $25,768,000). The estimated payments over
as follows:

THOUSANDS OF DOLLARS		2004	2003
2004	$	–	7,768
2005		6,208	6,153
2006		4,990	4,996
2007		2,741	2,744
2008		1,180	1,180
2009		763	763
Thereafter		2,483	2,164

As at year end the Authority has recognized a liability with a present value of $16,500,435 (2003 – $24,804,000) and has invested the corresponding funds in securities to mature at the required value of $18,365,352 (2003 – $25,768,000).

11. Accounts payable and accrued interest payable

Accounts payable and accrued interest payable include the difference between the unscheduled early payout (present value) by various Clients and the book value of their liabilities to the Authority. These early payments by Clients are based on the cost to the Authority of purchasing investments that will exactly match the principal and interest payments the Client would have otherwise made (based on the present value of the yield curve at the time of the early payment).

12. Allocations to Clients

This amount is the total of surpluses earned (excess earnings) by the investments relating to specific debentures issues that have matured and were distributed back to the Clients for which the financing was undertaken. Accruals of investment income due to Clients, allocation of net earnings to Clients which applies to the Debt Reserve Fund, and the Sewer and Water grant monies in the Debt Fund are shown separately. During the year, the following surplus was allocated:

THOUSANDS OF DOLLARS		2004	2003
Cash surplus repayments	$	9,107	35,924
Future invoice payments forgiven		7,886	1,892
Actuarial earnings recognized		108,433	45,899
	$	125,426	83,715

13. Supplemental ca

During the year the Author
(2003 – $255,653,471) as
$31,249,941 (2003 – $53,

During the year the Aut
(2003 – $242,309,089) as
$2,979,475 (2003 – $3,70
the Interim Financing prog

The amounts shown on
and Surplus are recorded
information presented abo

14. Financial instrur

a. Interest rate risk

Upon maturity of certain d
remaining loans receivable
through the Authority's Int
facility. As at December 3
(2003 – $86,889,036) of t
interest rates. As at Decem
(2003 – 3.000%) while the
Clients ranged from 4.775
During the year interest i
$1,637,264) was paid to t

b. Derivatives

The Authority has entered
investment yields with thi
Authority will make perioc
certain future cash repaym
value of these contracts, d
– $388,788,332) while rel
towards those agreements

w information

ved cash payments of $257,146,892
payments from its Clients and
as interest on investments.
ade payments of $240,366,470
payments to b dholders and
interest payments on loans held by

ements of Revenue, Expenditure
rual basis and may differ from the
cash basis.

es the Authority may refinance any
s associated with those debt issues
ancing program's revolving credit
he authority had $118,940,490
ns outstanding subject to floating
2004 this floating rate was 2.810%
relending of these funds to its
00% (2003 – 5.500% to 6.500%).
ount of $2,979,475 (2003 –
m Financing program on these loans.

ain derivative agreements to hedge
financial institutions whereby the
pal payments in exchange for
at December 31, 2004 the future
Authority, is $434,586,582 (2003
cipal payments by the Authority
,130,414 (2003 – $170,228,192).

c. Fair value

The carrying values of accrued interest and other receivables, demand notes receivable, accounts payable, and accrued interest payable and bank and short-term indebtedness approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair market values of other financial assets and liabilities included in the consolidated balance sheet at carrying amount are as follows:

	2004		2003	
THOUSANDS OF DOLLARS	Carrying Amount	Fair Market Value	Carrying Amount	Fair Market Value
Investments				
Debt Fund	$ 1,065,567	1,078,988	987,053	1,022,242
Debt Reserve Fund	80,833	81,372	78,908	79,731
Under management	154,210	152,959	174,715	172,419
Loans to Clients (Debt Fund)	3,265,810	3,486,853	3,190,709	3,402,606
Short-term loans to Clients	229,579	229,579	125,867	125,867
Long-term Debt (Debt Fund)	3,953,712	4,205,952	3,753,875	4,041,936
Due to Clients				
Investments under management	$ 154,210	152,959	174,715	172,419

Fair values were estimated as follows:

- Investments – based on quoted market values.
- Long-term debt – prices based on yield to maturity on first call date using appropriate spreads over Canada Bonds as a benchmark.
- Loans to Clients – values estimated using prices equivalent to the related long-term debt for each issuance.

Debt Fund—
Schedule of Long-term Debt

DECEMBER 31, 2004 AND 2003

THOUSANDS OF DOLLARS

ISSUE / SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:				
50/CL	1991	May 8, 2006	10.250	46,000
55CP	1993	May 12, 2013	8.750	50,000
58/ED	1994	May 10, 2004	8.500	91,000
60/CQ	1995	April 12, 2005	8.500	47,000
61/CR	1995	December 1, 2005	7.750	350,000
62	1995	December 1, 2005	6.200	134
64/CS	1996/2001	September 25, 2006	7.250	121,000
65/CT	1997	April 24, 2007	6.750	125,000
66/CU	1997	November 5, 2005 - 2006	5.500 - 5.625	75,000
66/CU	1997	November 5, 2007	5.625	60,000
67	1997	November 5, 2006	5.830	15,000
68	1998	March 24, 2005 - 2007	5.375 - 5.500	86,642
68/CV	1998	March 24, 2008	5.500	336,000
70/CW	1999/2000	June 1, 2009	5.250	646,000
74/CX	2001	June 1, 2011	5.900	491,800
76/CY	2004	November 8, 2006	3.050	19,500
77	2002	June 1, 2005 - 2007	5.000 - 5.625	35,000
78CZ	2002/2003	December 3, 2012	5.250	340,000
80	2003	October 3, 2005 - 2012	3.050 - 4.850	130,700
80DA	2003	December 3, 2013	4.900	288,300
81DB	2004	April 22, 2005 - 2013	2.250 - 4.950	40,000
85DC	2004	December 2, 2014	4.900	180,000
86DD	2004	December 2, 2024	5.350	50,000
87	2004	October 26, 2005	2.880	19,596
88	2004	October 1, 2009	4.710	200
800	1999	September 1, 2004	4.750	122
801	2001	September 1, 2006	5.410	73
802	2002	February 16, 2007	4.630	60
			Carried Forward	3,644,127

2004 LONG-TERM OUTSTANDING	2003 LONG-TERM OUTSTANDING	REFERENCES
PAYABLE IN CANADIAN DOLLARS:		
45,980	45,980	(1)
50,000	50,000	(1)
-	91,000	(1)
45,020	45,020	(1)
350,000	350,000	(1)
14	14	(2)
121,000	121,000	(1)
125,000	125,000	(1)
19,708	28,809	(1)
60,000	60,000	(1)
15,000	15,000	(1) (3)
36,795	47,819	(1)
336,000	336,000	(1)
646,000	646,000	(1)
491,800	491,800	(1)
19,500	19,500	(1)
21,000	28,000	(1)
340,000	340,000	(1)
124,700	130,700	(1)
288,300	228,300	(1)
40,000	-	(1)
180,000	-	(1)
50,000	-	(1)
19,596	-	(1) (4)
200	-	(5)
-	122	(6)
73	73	(7)
60	60	(8)
3,425,746	3,200,197	

CONTINUED ON NEXT PAGE

Debt Fund—
Schedule of Long-term Debt (continued)

DECEMBER 31, 2004 AND 2003

THOUSANDS OF DOLLARS

ISSUE / SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT		ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:			Brought Forward	$	3,644,127
507 to 628	1999	March 1, 2004 - November 30, 2015	6.000 - 12.570		297,929
702 to 715	1999	September 21, 2005 - July 21, 2010	5.741 - 9.610		418,830
903	1996	January 9, 2012	9.500		33,000
909	1996	February 3, 2004	6.500		5,000
912	1996	January 9, 2012	9.500		24,000
918	1996	February 3, 2004	6.500		5,000
919	1996	February 3, 2004	6.500		20,000
920	1996	June 21, 2004	9.000		8,000
922	1996	August 16, 2004	9.125		5,000
			Payable in Canadian Dollars:		4,460,886
PAYABLE IN CANADIAN DOLLARS - ISSUED THROUGH FEDERATION OF CANADIAN MUNICIPALITIES:					
1	2003	March 14, 2010	3.490		1,455
2	2003	March 31, 2013	3.710		2,100
3	2004	June 11, 2014	3.182		20,000
			Payable in Canadian Dollars:		23,555
Total per Debt Fund				$	4,484,441
Less amounts held as investments by the Authority:					
Less amounts issued internally by the Authority:					
Less amounts issued by Commercial Paper Program of the Authority:					
Net debt due to bondholders					

2004 LONG-TERM OUTSTANDING	2003 LONG-TERM OUTSTANDING	REFERENCES
3,425,746	3,200,197	
210,441	227,735	(1) (9)
237,388	237,388	(1) (10)
33,000	33,000	(1) (11)
-	5,000	(1) (11)
24,000	24,000	(1) (11)
-	5,000	(1) (11)
-	20,000	(1) (11)
-	8,000	(1) (11)
-	5,000	(1) (11)
3,930,575	3,765,320	
1,247	1,455	(1)
1,890	2,100	(1)
20,000	–	(1)
23,137	3,555	
3,953,712	3,768,875	

8,476
15,000
19,596
3,910,640

Debt Fund—
References to Schedule of Long-term Debt

DECEMBER 31, 2004 AND 2003

1 Non-callable prior to maturity.

2 Five-year Community bonds at 6.20% due December 1, 2005.

3 Debt issued internally through the Authority's investment holdings.

4 Debt issued through the Authority's Commercial Paper Program.

5 Five-year Community bonds at 4.710% due October 1, 2009.

6 Five-year Community bonds at 4.750% due September 1, 2004.

7 Five-year Community bonds at 5.410% due September 1, 2006.

8 Five-year Community bonds at 4.630% due February 16, 2007.

9 Debt issues relating to the Regional Hospital Districts transferred from Province of British Columbia to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 74 debenture issues averaging $2.843 million each. Individual issue detail is not shown.

10 Debt issues relating to TransLink, transferred from Province of British Columbia to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 10 debenture issues averaging $29.080 million each. Individual issue detail is not shown.

11 Debenture issues transferred from Province of British Columbia to MFA on April 1, 1996. The debt outstanding remains in the name of the Province.

edule of Loans to Clients 2004

NDING AT DECEMBER 2004 (UNAUDITED)

DS OF DOLLARS (EXCEPT PER CAPITA)

		2004			
	PRINCIPAL OUTSTANDING DEC. 31, 2003	NEW LOANS ISSUED	PRINCIPAL REPAID	PRINCIPAL OUTSTANDING DEC. 31, 2004	PER CAPITA
AL DISTRICTS					
ayoquot	$ 22,307	-	1,192	**21,115**	628
echako	6,843	1,051	1,248	**6,646**	146
	320,750	24,233	31,753	**313,230**	931
	39,697	1,275	3,884	**37,088**	504
past	354	-	4	**350**	80
ootenay	28,165	10,000	2,866	**35,299**	569
kanagan	124,035	8,673	10,828	**121,880**	787
Shuswap	30,037	12,230	3,433	**38,834**	724
rathcona	102,169	8,443	10,561	**100,051**	942
Valley	26,676	2,500	2,034	**27,142**	350
enay	38,503	5,288	5,956	**37,835**	594
t George	72,988	62,591	5,383	**130,196**	1,217
ley	104,826	12,617	15,153	**102,290**	419
ancouver	959,308	71,980	96,302	**934,986**	461
ikine	17,765	524	3,022	**15,267**	325
Boundary	19,836	2,840	2,582	**20,094**	595
addington	5,017	-	191	**4,826**	318
	57,594	169	5,904	**51,859**	379
anagan	80,688	664	6,556	**74,796**	954
Rockies	5,092	-	323	**4,769**	731
-Similkameen	36,471	5,162	2,868	**38,765**	480
er	38,563	11,802	3,885	**46,480**	763
ver	14,350	114	1,325	**13,139**	584
ueen Charlotte	9,282	158	1,400	**8,040**	290
-Lillooet	26,023	2,940	2,678	**26,285**	708
Coast	13,527	294	1,113	**12,708**	406
-Nicola	54,062	5,089	6,080	**53,071**	404
Campbell River	952	-	99	**853**	29
	141,155	-	6,507	**134,648**	58
	9,000	-	716	**8,284**	25
	783,197	115,000	53,963	**844,234**	416
	3,189,232	365,637	289,809	**3,265,060**	796
xchange	1,477			-	
	$ 3,190,709			**3,265,060**	796

en Year Review

		2004	2003	2002	2001
SETS					
ns to Clients	$	3,245,464	3,190,709	2,935,516	2,832,474
rt-term loans to Clients		229,579	125,867	135,509	103,348
estments, net of holdings of the Authority		1,122,924	1,060,343	1,140,930	1,139,714
estments under management		154,210	174,715	-	-
estments in sinking funds		-	-	3,265	10,265
king fund assets in excess of related debt		-	-	15,601	26,780
rued interest and other receivables		101,266	90,258	78,811	79,075
hand notes receivable from Clients, without interest		178,912	177,044	172,508	177,403
mortized issue costs		28,726	32,986	35,749	35,721
h and cash equivalents		8,326	8,770	8,309	7,157
ital assets		805	830	854	879
otal assets	$	5,070,212	4,861,522	4,527,052	4,412,816
BILITIES, EQUITY AND SURPLUS					
g-term debt	$	3,910,640	3,748,257	3,580,977	3,385,891
k and short-term Indebtedness		349,689	213,426	195,907	263,505	
to Clients		277,479	281,439	288,707	258,185
to Clients – investments under management		154,210	174,715	-	-
ounts payable and accrued interest payable		39,944	44,712	44,324	53,374
to Forest Renewal BC		-	-	-	-
otal liabilities		4,731,962	4,462,549	4,109,915	3,960,955
ity in capital assets		805	830	854	879
propriated of surplus		504	788	975	699
plus		336,941	397,355	415,308	450,283
otal liabilities, equity and surplus	$	5,070,212	4,861,522	4,527,052	4,412,816
VENUE					
erest from loans to Clients	$	253,649	258,180	255,427	252,663
estment income		73,261	70,504	75,631	89,121
nagement fees		742	673	929	702
overies from new issues		429	429	429	429
erating levy		119	108	103	101
otal revenue		328,200	329,894	332,519	343,016
PENDITURE					
erest on long-term debt		235,639	243,145	233,717	236,510
erest on bank and short-term indebtedness		10,231	7,869	6,485	8,617
ortization of issue costs		5,451	5,365	4,875	5,180
ministrative		2,998	2,933	2,413	1,639
t management and marketing		241	239	182	219
rual of investment income to Clients		8,337	4,193	5,890	5,410
otal expenditure		262,897	263,744	253,572	257,575
ess of revenue over expenditure for the year		65,303	66,150	78,947	85,441
plus at beginning of the year		397,355	415,308	450,284	481,021
plus on debt issues from Province		-	-	-	-
plication to equity in capital assets		25	25	25	25
cations to Clients		(125,426)	(83,715)	(113,322)	(115,155)
plication of appropriated surplus		788	975	699	-
propriation of surplus		(504)	(788)	(975)	(699)
idends paid		(600)	(600)	(350)	(350)
urplus at end of the year	$	336,941	397,355	415,308	450,283

2000	1999	1998	1997	1996	1995
2,714,849	2,702,045	1,988,013	1,758,368	1,721,135	1,406,167
71,950	55,676	35,013	30,872	29,220	8,205
1,059,689	990,838	652,219	580,138	540,349	419,491
-	-	-	-	-	-
10,265	27,802	51,231	83,895	146,143	141,622
25,727	24,587	23,582	22,624	35,185	32,196
94,248	74,143	44,714	34,964	38,098	30,855
180,353	185,938	152,502	139,036	135,991	114,963
42,863	29,506	15,774	19,779	19,541	26,065
7,235	14,450	12,540	3,975	8,635	6,219
904	929	954	979	997	-
4,208,083	4,105,914	2,976,542	2,674,630	2,675,294	2,185,783
3,235,022	3,123,290	2,206,060	1,947,612	1,920,404	1,527,529
147,432	129,663	71,461	52,428	30,738	13,942
270,062	280,862	232,818	218,275	214,877	189,610
-	-	-	-	-	-
63,560	67,494	41,234	36,977	38,192	33,578
10,082	10,118	10,142	-	-	-
3,726,158	3,611,427	2,561,715	2,255,292	2,204,211	1,764,659
904	929	486	357	250	-
-	-	-	-	-	-
481,021	493,558	414,341	418,981	470,833	421,124
4,208,083	4,105,914	2,976,542	2,674,630	2,675,294	2,185,783
260,670	245,618	188,690	184,719	190,795	178,072
69,317	61,383	56,596	79,605	73,577	52,641
525	675	720	710	726	2,072
429	434	255	255	255	110
100	101	101	101	105	103
331,041	308,211	246,362	265,390	265,458	232,998
247,367	256,376	187,713	187,507	185,875	147,075
8,858	5,584	3,208	1,470	1,127	1,196
7,832	5,593	5,037	4,688	7,638	3,945
1,515	1,417	1,361	1,294	1,082	957
267	372	186	176	227	135
3,404	3,119	7,644	5,368	11,299	8,248
269,243	272,461	205,149	200,503	207,248	161,556
61,798	35,750	41,213	64,887	58,210	71,442
493,558	414,341	418,981	470,833	421,124	383,630
-	63,814	-	-	20,213	-
25	25	25	25	-	-
(74,110)	(19,604)	(45,499)	(116,407)	(28,214)	(33,698)
-	-	-	-	-	-
-	(518)	(129)	(107)	(250)	-
(250)	(250)	(250)	(250)	(250)	(250)
481,021	493,558	414,341	418,981	470,833	421,124

d Issues

Dollar Bonds Issued in Canada

DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2004 $(000)	INTEREST	DENOMINATIO
10.250% Debentures due May 8, 2006	May 8, 1991	46,000	45,980	Semi-annual May 8 November 8	Fully registered $1,000 and mu thereof
8.750% Debentures due May 12, 2013	May 12, 1993	50,000	50,000	Semi-annual May 12 November 12	Fully registered $1,000 and mu thereof
8.500% Debentures due April 12, 2005	April 12, 1995	47,000	45,020	Semi-annual April 12 October 12	Fully registered $1,000 and mu thereof
7.750% Debentures due December 1, 2005	December 1, 1995	350,000	350,000	Semi-annual June 1 December 1	Registered at C Book entry only
6.200% Debentures due December 1, 2005	December 1, 1995	134	14	Semi-annual June 1 December 1	Fully registered $1,000 and mu thereof
7.250% Debentures due September 25, 2006	September 25, 1996 / 2001	121,000	121,000	Semi-annual March 25 September 25	Registered at C Book entry only
6.750% Debentures due April 24, 2007	April 24, 1997	125,000	125,000	Semi-annual October 24 April 24	Registered at C Book entry only
5.500 - 5.625% Serial Debentures due November 5, 2005 - 2006	November 5, 1997	75,000	19,708	Semi-annual May 5 November 5	Registered at C Book entry only
5.625% Debentures due November 5, 2007	November 5, 1997	60,000	60,000	same as above	Registered at C Book entry only
5.375 - 5.500% Serial Debentures due March 24, 2005 - 2007	March 24, 1998	86,642	36,795	Semi-annual March 24 September 24	Registered at C Book entry only
5.500% Debentures due March 24, 2008	March 24, 1998	336,000	336,000	Same as above	Registered at C Book entry only
5.250% Debentures due June 1, 2009	March 24, 1999	646,000	646,000	Semi-annual June 1 December 1	Registered at C Book entry only

MFABC A

CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	2005 - 9,590 2006 - 10,118	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	
Non-callable	2005 - 11,616 2006 - 12,253 2007 - 12,926	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	
Non-callable	None	N/A	CIBC Mellon Trust Company

CONTINUED ON NEXT PAGE

lar Bonds Issued in Canada (continued)

RIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2004 $(000)	INTEREST	DENOMINATIONS
9% Debentures une 1, 2011	April 4, 2001	491,800	491,800	Semi-annual June 1 December 1	Registered at CDS. Book entry only.
9% Debentures November 8, 2006	December 22, 2004	19,500	19,500	Annual November 8	Registered at CDS. Book entry only.
- 5.625% Serial ntures due 1, 2005 - 2007	April 9, 2002	35,000	21,000	Semi-annual June 1 December 1	Registered at CDS. Book entry only.
9% Debentures December 3, 2012	October 3, 2002	340,000	340,000	Semi-annual June 3 December 3	Registered at CDS. Book entry only.
- 4.850% Serial ntures due ber 3, 2005 - 2012	October 3, 2003	130,700	124,700	Semi-annual April 3 October 3	Registered at CDS. Book entry only.
9% Debentures December 3, 2013	December 3, 2003	288,300	288,300	Semi-annual April 3 October 3	Registered at CDS. Book entry only.
- 4.950% Serial ntures due 22, 2005 - 2013	April 22, 2004	40,000	40,000	Semi-annual April 22 October 22	Registered at CDS. Book entry only.
9% Debentures Decemebr 2, 2014	October 25, 2004	180,000	180,000	Semi-annual June 2 December 2	Registered at CDS. Book entry only.
9% Debentures Decemebr 2, 2024	October 25, 2004	50,000	50,000	Semi-annual June 2 December 2	Registered at CDS. Book entry only.
9% Debentures October 1, 2009	October 1, 2004	200	200	Annual October 1	Fully registered $1,000 and multiples thereof
9% Debentures September 1, 2006	September 1, 2001	73	73	Annual September 1	Fully registered $1,000 and multiples thereof
9% Debentures February 16, 2007	February 16, 2002	60	60	Annual February 16	Fully registered $1,000 and multiples thereof

CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	2005 - 7,000 2006 - 7,000 2007 - 7,000	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	2005 - 6,000 2006 - 17,300 2007 - 17,300 2008 - 17,300 2009 - 16,700 Thereafter - 50,100	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	
Non-callable	2005 - 4,900 2006 - 4,900 2007 - 4,900 2008 - 4,900 2009 - 4,900 Thereafter - 15,500	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company
Non-callable	None	N/A	CIBC Mellon Trust Company

CIBC Mellon Trust Company
1600 - 1066 West Hastings St.
Vancouver, BC V6E 3X1

320 Bay St.
Toronto, ON M5H 4A6

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s' Report

olders of the Municipal Finance Authority of British Columbia
tment Funds

ed the statement of net assets of the Money Market Fund, the Intermediate Fund
und of the Municipal Finance Authority of British Columbia (the "Authority")
r 31, 2004 and 2003, the statements of operations and unitholders' equity
net assets of each of these Funds for the years then ended. These financial
the responsibility of the Authority's management. Our responsibility is to
ion on these financial statements based on our audits.

our audits in accordance with Canadian generally accepted auditing standards.
s require that we plan and perform an audit to obtain reasonable assurance
ancial statements are free of material misstatement. An audit includes
a test basis, evidence supporting the amounts and disclosures in the financial
audit also includes assessing the accounting principles used and significant
e by management, as well as evaluating the overall financial statement

these financial statements present fairly, in all material respects, the financial
se Funds of the Authority as at December 31, 2004 and 2003, and the results
ons and the changes in their net assets for the years then ended in accordance
generally accepted accounting principles.

r LLP
ACCOUNTANTS

sh Columbia, Canada
2005

Statement of Net Assests

DECEMBER 31, 2004 AND 2003

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003
ASSETS								
Cash	$ 42	15	26	45	3	19	71	79
Unitholder receivable	-	-	-	-	-	95	-	95
Investments (Schedules 1, 2 and 3)	898,041	817,884	112,074	117,667	192,290	169,433	1,202,405	1,104,984
	898,083	817,899	112,100	117,712	192,293	169,547	1,202,476	1,105,158
LIABILITIES								
Accrued management fees	112	110	18	19	29	29	159	158
Payable for investment purchase	-	-	-	-	-	400	-	400
Unitholder payable	1,017	1,450	48	-	389	-	1,454	1,450
	1,129	1,560	66	19	418	429	1,613	2,008
NET ASSETS AND UNITHOLDERS' EQUITY	$ 896,954	816,339	112,034	117,693	191,875	169,118	1,200,863	1,103,150

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SECRETARY-TREASURER

Statement of Operations and Unitholders' Equity

YEARS ENDED DECEMBER 31, 2004 AND 2003

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003
INVESTMENT INCOME								
Interest income	$ 20,102	24,480	2,518	3,459	6,369	7,016	28,989	34,955
Less management fees	1,268	1,238	230	221	331	367	1,829	1,826
	18,834	23,242	2,288	3,238	6,038	6,649	27,160	33,129
GAIN (LOSS) ON INVESTMENTS								
Net realized gain (loss)	-	(3)	28	382	(221)	(394)	(193)	(15)
Net unrealized gain	6	55	678	22	1,532	1,248	2,216	1,325
Net gain on investments	6	52	706	404	1,311	854	2,023	1,310
NET EARNINGS DISTRIBUTED	$ 18,840	23,294	2,994	3,642	7,349	7,503	29,183	34,439
NET ASSETS AND UNITHOLDERS' EQUITY								
Units outstanding, beginning of the year	$ 816,339	831,547	117,693	105,296	169,118	201,507	1,103,150	1,138,350
Units subscribed	1,315,496	1,357,752	71,168	49,001	54,077	49,145	1,440,741	1,455,898
Distributions reinvested	18,840	23,294	2,994	3,642	7,349	7,503	29,183	34,439
Units redeemed	(1,253,721)	(1,396,254)	(79,821)	(40,246)	(38,669)	(89,037)	(1,372,211)	(1,525,537)
Units outstanding, end of the year	$ 896,954	816,339	112,034	117,693	191,875	169,118	1,200,863	1,103,150

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statement of Changes in Net Assets

YEARS ENDED DECEMBER 31, 2004—WITH COMPARATIVE FIGURES FOR 2003

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003
NET ASSETS, BEGINNING OF THE YEAR	$ 816,339	831,547	117,693	105,296	169,118	201,507	1,103,150	1,138,350
CHANGES DURING THE YEAR DUE TO:								
OPERATIONS								
Net investment income	18,834	23,242	2,288	3,238	6,038	6,649	27,160	33,129
Net gain on investments	6	52	706	404	1,311	854	2,023	1,310
	18,840	23,294	2,994	3,642	7,349	7,503	29,183	34,439
UNIT TRANSACTIONS								
Subscriptions	1,315,496	1,357,752	71,168	49,001	54,077	49,145	1,440,741	1,455,898
Redemptions	(1,253,721)	(1,396,254)	(79,821)	(40,246)	(38,669)	(89,037)	(1,372,211)	(1,525,537)
	61,775	(38,502)	(8,653)	8,755	15,408	(39,892)	68,530	(69,639)
DISTRIBUTIONS TO UNITHOLDERS								
Investment income	(18,834)	(23,242)	(2,288)	(3,238)	(6,038)	(6,649)	(27,160)	(33,129)
Gain on investments	(6)	(52)	(706)	(404)	(1,311)	(854)	(2,023)	(1,310)
Distributions reinvested	18,840	23,294	2,994	3,642	7,349	7,503	29,183	34,439
	-	-	-	-	-	-	-	-
NET ASSETS, END OF THE YEAR	$ 896,954	816,339	112,034	117,693	191,875	169,118	1,200,863	1,103,150
CHANGES IN INVESTMENT PORTFOLIO								
Investments at beginning of year	$ 817,884	834,938	117,667	104,801	169,433	201,969	1,104,984	1,141,708
Accretion of discounts	20,105	25,010	3,225	3,455	8,287	8,245	31,617	36,710
Investments purchased	5,176,515	7,401,235	1,168,491	1,269,975	593,363	862,868	6,938,369	9,534,078
Net realized gain (loss) on investments sold	-	(3)	28	382	(221)	(394)	(193)	(15)
	6,014,504	8,261,180	1,289,411	1,378,613	770,862	1,072,688	8,074,777	10,712,481
Proceeds on investments matured or sold	(5,116,463)	(7,443,296)	(1,177,337)	(1,260,946)	(578,572)	(903,255)	(6,872,372)	(9,607,497)
Investments at end of year	$ 898,041	817,884	112,074	117,667	192,290	169,433	1,202,405	1,104,984

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

EARS ENDED DECEMBER 31, 2004 AND 2003

Significant Accounting Policies

asis of presentation

e Pooled Investment funds are established by and operate under ction 13.1 of the Municipal Finance Authority Act (the "Act"). Three nds are maintained:

(a) Money Market Fund which commenced operations on May 1, 1989;

(b) Intermediate Fund which commenced operations on March 25, 1994; and

(c) Bond Fund which commenced operations on May 10, 1989.

These funds are authorized to issue an unlimited number of its, each of which represents an equal undivided interest in e net assets of the respective funds pro rata with all other its from time to time issued and outstanding. Units are sued or redeemed at $1,000 per unit.

Money Market Fund

(a) Investments are carried at cost, adjusted for amortization of premiums and accretion of discounts on an effective-yield basis, which approximates market value.

(b) Interest income is recognized as earned.

(c) Management fees are accrued daily at the rate of 3/20 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

(d) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

Intermediate Fund/Bond Fund

(a) Investments are carried at market values which are determined as follows:

– Bonds and debentures — at the quoted mid-market value

– Treasury bills, short-term notes, etc. — at amortized cost, which approximates market value for the Bond Fund and at mid-market value for the Intermediate Fund.

(b) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average-cost basis.

(c) Interest income is recognized as earned.

(d) Management fees are accrued weekly and at month-end at the rate of 1/5 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

(e) Net earnings from operations are distributed to unitholders weekly and at month-end as additional units of the fund.

(f) Accretion of discounts and premiums are amortized on a straight-line basis over the term of the investment.

(Schedule 1)

Money Market Fund—Schedule of Investments

DECEMBER 31, 2004

THOUSANDS OF DOLLARS

		MATURITY DATE	PAR	COST	% OF TOTAL
SHORT-TERM INVESTMENTS					
Treasury Bills					
	Canada Treasury Bill	February 24, 2005	$ 45,800	$ 45,628	
	Canada Treasury Bill	March 10, 2005	74,000	73,643	
	Canada Treasury Bill	April 7, 2005	109,815	109,074	
	Canada Treasury Bill	May 5, 2005	63,000	62,399	
			292,615	290,744	32.38%
Bankers' Acceptance	Bank of Nova Scotia	February 18, 2005	4,800	4,784	
	Canadian Imperial Bank of Commerce	February 11, 2005	5,000	4,985	
	National Bank of Canada	February 17, 2005	15,000	14,951	
			24,800	24,720	2.75%
Discount Commercial Paper	Alcan Aluminium	January 27, 2005	11,000	10,979	
	Alcan Aluminium	January 28, 2005	6,500	6,487	
	Bank of Montreal	February 16, 2005	40,000	39,873	
	Bank of Nova Scotia	February 1, 2005	14,150	14,118	
	Bank of Nova Scotia	February 14, 2005	10,000	9,969	
	Bank of Nova Scotia	February 17, 2005	10,000	9,965	
	Bay Street Funding Trust	February 15, 2005	7,700	7,674	
	Bay Street Funding Trust	February 22, 2005	5,000	4,982	
	Bay Street Funding Trust	February 25, 2005	19,000	18,927	
	Bay Street Funding Trust	March 17, 2005	3,000	2,984	
	Caisse Centrale	February 23, 2005	25,000	24,902	
	CHN Capital Canada Receivable Trust	May 15, 2012	10,000	10,029	
	Credit Union BC	February 7, 2005	3,450	3,441	
	Darwin Receivable Trust	February 23, 2005	2,375	2,366	
	Diversified Trust	March 10, 2005	2,950	2,936	
	Enbridge Inc.	January 26, 2005	12,050	12,029	
	Encana Corporation	February 25, 2005	19,350	19,275	
	Encana Corporation	March 1, 2005	2,650	2,639	
	GE Capital Canada Funding Company	January 19, 2005	5,200	5,193	
	GE Capital Canada Funding Company	February 17, 2005	24,000	23,922	
	GE Capital Canada Funding Company	February 18, 2005	9,300	9,267	
	Honda Canada Finance	February 14, 2005	6,400	6,380	
	Household Finance	March 11, 2005	3,800	3,782	
	HSBC Bank of Canada	January 25, 2005	20,000	19,966	
	HSBC Bank of Canada	February 8, 2005	11,500	11,468	
	King Street Funding	February 16, 2005	10,000	9,965	
	King Street Funding	February 22, 2005	18,000	17,934	
	Manulife Bank of Canada	January 27, 2005	13,450	13,425	
	Manulife Bank of Canada	February 22, 2005	3,750	3,735	
	Manulife Bank of Canada	March 2, 2005	12,000	11,950	
	Manulife Bank of Canada	March 17, 2005	8,000	7,958	
	McCain Finance (Canada) Ltd.	February 7, 2005	4,000	3,989	
	McCain Finance (Canada) Ltd.	February 24, 2005	2,850	2,838	
	Merit Trust	February 24, 2005	29,000	28,891	
	Merit Trust	March 1, 2005	10,000	9,959	
	Plaza Trust	February 15, 2005	8,050	8,023	
	Plaza Trust	February 21, 2005	8,650	8,617	
	Royal Bank of Canada	February 7, 2005	11,300	11,269	
	Royal Bank of Canada	March 1, 2005	16,300	16,234	

	Storm King Funding Trust	February 17, 2005	1,350	1,346	
	Storm King Funding Trust	February 18, 2005	30,000	29,899	
	Storm King Funding Trust	February 21, 2005	4,700	4,683	
	Summit Trust	January 7, 2005	5,250	5,248	
	Summit Trust	February 14, 2005	8,900	8,871	
	Summit Trust	February 16, 2005	7,000	6,976	
	TD Bank	February 14, 2005	30,000	29,908	
	TD Bank	February 17, 2005	9,000	8,971	
	TransCanada Pipeline	January 28, 2005	13,250	13,224	
	Zeus Receivable Trust	March 1, 2005	15,100	15,040	
			564,275	562,506	62.64%
rt Term Investments			881,690	877,970	97.77%
ATE BONDS	Caterpillar Financial Services	March 10, 2005	10,000	10,017	
	Greater Toronto Airports Authority	May 20, 2005	10,000	10,054	
			20,000	20,071	2.23%
VESTMENTS PORTFOLIO			$ 901,690	$ 898,041	100.00%

nedule 2)

ermediate Fund—Schedule of Investments

ER 31, 2004

NDS OF DOLLARS

		MATURITY DATE	PAR	MARKET	% OF TOTAL
ERM INVESTMENTS					
Bills					
	Canada Treasury Bill	November 3, 2005	$ 99,615	$ 97,431	86.93%
ommercial Paper					
	Diversified Trust	January 7, 2005	4,400	4,398	
	Storm King Funding Trust	January 7, 2005	5,000	4,998	
	Summit Trust	January 7, 2005	5,250	5,247	
			14,650	14,643	13.07%
ort-term Investments			114,265	112,074	100.00%
VESTMENTS PORTFOLIO			**$ 114,265**	**$ 112,074**	**100.00%**

(Schedule 3)

Bond Fund—Schedule of Investments

DECEMBER 31, 2004

THOUSANDS OF DOLLARS

		MATURITY DATE	PAR	MARKET	% OF TOTAL	
SHORT-TERM INVESTMENTS						
Treasury Bills						
	Billets A Terme Du Quebec	January 11, 2005	$ 900	$ 899		
	Billets A Terme Du Quebec	January 12, 2005	14,675	14,664		
	Canada Treasury Bill	January 13, 2005	1,325	1,324		
	Plaza Trust Disc	January 12, 2005	2,700	2,698		
	Summit Trust	January 17, 2005	2,375	2,372		
	Vancouver City SA BDN	January 6, 2005	650	650		
	Zeus Receivable Trust	January 10, 2005	300	300		
			22,925	22,907	11.91%	
MEDIUM-TERM NOTES						
	Aliant Telecom Inc.	January 15, 2007	750	798		
	CDP Financial Inc.	October 14, 2008	1,235	1,272		
	Transcanada Pipelines Ltd.	February 15, 2007	1,275	1,374		
			3,260	3,444	1.79%	
Total Short-term Investments			26,185	26,351		13.70%
CANADIAN BONDS						
Federal Bonds						
	Government of Canada	September 1, 2006	1,075	1,145		
	Government of Canada	December 1, 2006	1,320	1,330		
	Government of Canada	June 1, 2007	3,555	3,915		
	Government of Canada	June 1, 2008	930	1,013		
	Government of Canada	September 1, 2009	6,125	6,364		
	Government of Canada	June 1, 2011	6,655	7,442		
			19,660	21,209	11.03%	
Provincial Bonds						
	Province of Quebec	June 1, 2009	290	312		
			290	312	0.16%	
Corporate Bonds						
	Bank of Montreal	March 31, 2009	1,600	1,671		
	Bank of Nova Scotia	July 16, 2012	450	494		
	Bank of Nova Scotia	July 22, 2013	2,150	2,346		
	Bell Mobility Cellular Inc.	June 2, 2008	1,145	1,254		
	BCIMC Realty Corp.	December 22, 2009	1,705	1,706		
	Canada Housing Trust	September 15, 2007	1,640	1,741		
	Canada Housing Trust	March 15, 2008	6,285	6,551		
	Canada Housing Trust	December 15, 2008	27,560	28,114		
	Canada Housing Trust	March 15, 2009	16,415	16,515		
	Canada Housing Trust	September 15, 2009	2,985	3,137		
	Canada Life Assurance Company	September 19, 2011	850	937		
	Canadian Auto Floorplan	February 15, 2008	980	1,028		
	Canadian Imperial Bank of Commerce	January 31, 2011	2,000	2,157		
	Capital Desjardins Inc.	June 1, 2012	4,565	4,808		
	Caterpillar Financial Services Ltd.	August 7, 2008	850	888		
	Caisse Central	January 18, 2005	3,750	3,746		
	Citygroup Finance Canada Inc.	September 17, 2007	500	528		
	Citygroup Finance Canada Inc.	November 2, 2007	1,000	1,014		
	Encana Corporation	January 14, 2005	1,700	1,698		
	Encana Corporation	December 3, 2007	2,260	2,373		
	General Electric Capital Canada Funding Co.	July 24, 2007	1,695	1,816		
	General Electric Capital Canada Funding Co.	April 23, 2008	1,625	1,713		
	Gloucester Credit Card Trust	June 15, 2007	6,000	6,329		
	Gloucester Credit Card Trust	October 15, 2008	1,665	1,714		
	Greater Toronto Airport Authority	December 3, 2007	775	827		
	Greater Toronto Airport Authority	June 2, 2008	1,140	1,195		
	Household Finance Corp.	December 1, 2006	965	1,014		
	Household Finance Corp.	June 1, 2007	4,055	4,363		
	Household Finance Corp.	July 2, 2008	900	945		
	Maritime Life Canadian Funding	March 12, 2007	625	662		
	Maritime Life Canadian Funding	November 12, 2008	925	956		
	Master Credit Card Trust	June 21, 2007	1,895	2,019		
	Merrill Lynch Canada	September 12, 2006	1,130	1,160		
	Merit Trust	January 7, 2005	4,500	4,498		
	NAV Canada	December 1, 2006	1,175	1,256		
	Royal Bank of Canada	January 22, 2013	5,555	6,114		
	Royal Bank of Canada	January 27, 2014	1,550	1,586		
	Score Trust CreditCard Receivable	November 15, 2006	2,030	2,111		
	Toronto Dominion Bank	July 26, 2011	5,440	5,825		
	Toronto Dominion Bank	September 5, 2013	1,465	1,529		
	Wells Fargo Financial Corporation	June 15, 2007	4,500	4,740		
	Wells Fargo Financial Corporation	June 16, 2008	700	735		
			130,700	135,813	70.64%	
Total Canadian Bonds			150,650	157,335		81.83%

OF DOLLARS

		MATURITY DATE	PAR	MARKET	% OF TOTAL	
d Mortgages						
	Penmor Mortgage # 1865-IF	June 15, 2007	112	116		
	Penmor Mortgage # 1924-2W	November 1, 2009	702	712		
	Penmor Mortgage # 1995 - IJ	November 15, 2008	530	541		
	Penmor Investment Services	November 1, 2006	489	508		
			1,833	1,877	0.98%	
Mortgages						
	Penmor Loan #2331-OW	January 1, 2007	1,353	1,382		
	Penmor Loan #2341-OW	December 1, 2006	598	619		
	Penmor Loan #2372-OW	March 1, 2007	585	610		
	Penmor Loan #2381-OW	April 1, 2007	585	608		
	Penmor Loan #2516-OW	May 1, 2008	446	467		
	Penmor Loan #2544-OW	September 1, 2008	881	907		
	Penmor Loan #2563-OF	December 1, 2008	488	501		
	Penmor Loan #2699-OF	August 15, 2009	1,591	1,633		
			6,527	6,727	3.50%	
			8,360	8,604		4.47%
ENTS PORTFOLIO			$ 185,195	$ 192,290		100.00%

Information

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rd Adams Lake Indian Band Alberni-Clayoquot Regional District Alert Bay Anmore Armstrong Ashcroft Association

lanriere Improvement District Belcarra Bighorn, Alberta Bluewater, Ontario Bowen Island Bulkley-Nechako Burns

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il Society Fraser Fort George Fraser Valley Fraser Valley Regional Library Fraser-Fort George Fruitvale Gananoque,

ver Golden Government Finance Officers Association Granisle Greater Napanee, Ontario Greenwood Harrison Hot

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f Association North Cowichan North Okanagan North Peace Airport Association North Saanich North Vancouver

kies, Northwest Oak Bay Officers' Association Okanagan-Kootenay Sterile Insect Release Okanagan-Similkameen

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Port Hardy Port McNeill Port Moody Pouce Coupe Powell River Powell River Regional District Prince George Prince

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, Ontario Telkwa Terrace Thompson Thompson-Nicola Thorold, Ontario Tofino Trail Tumbler Ridge Tzeachten Indian

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